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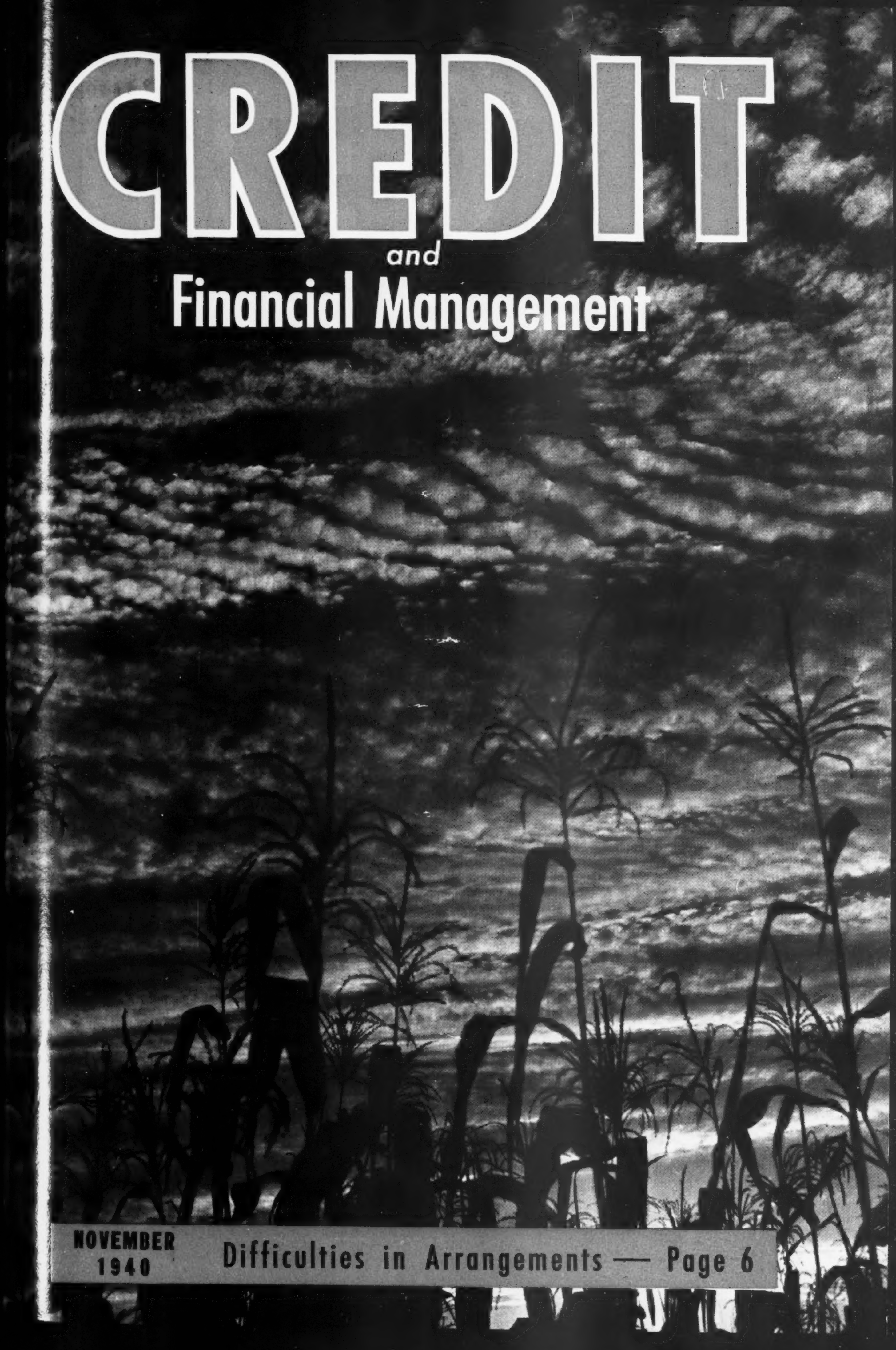

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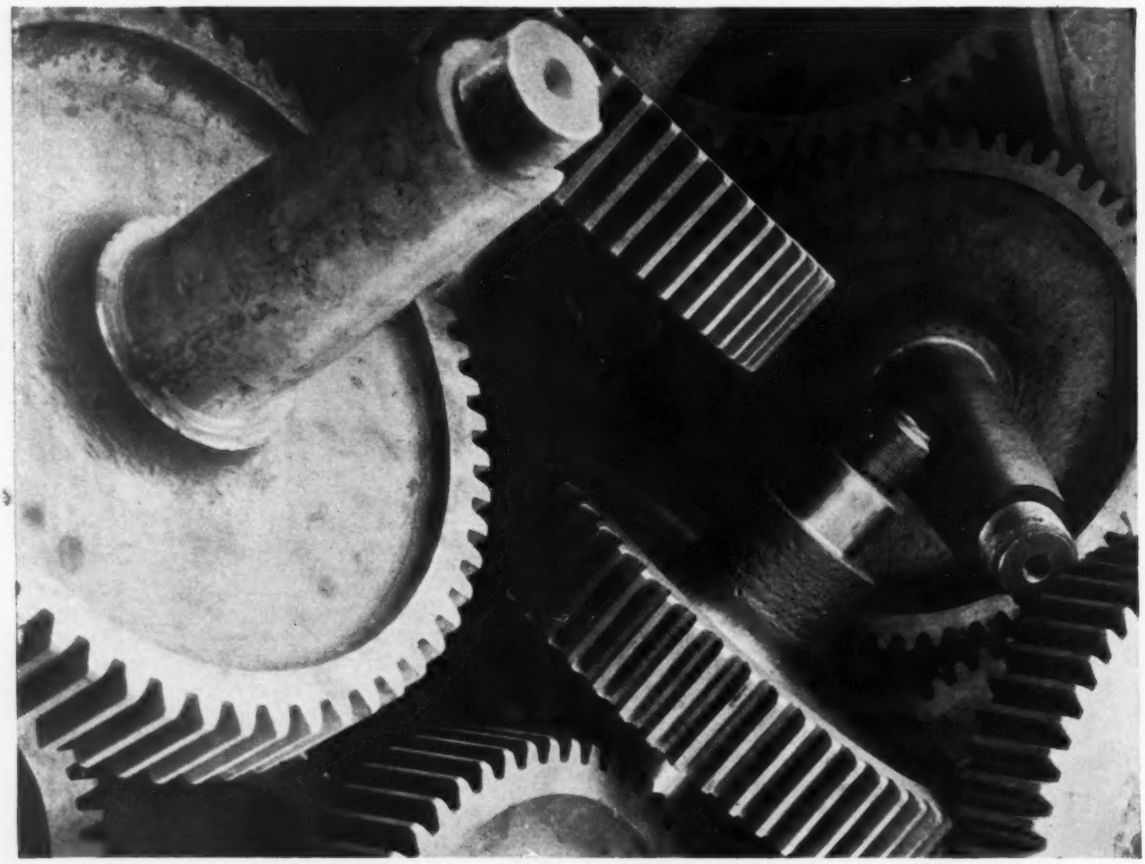
Difficulties in Arrangements — Page 6



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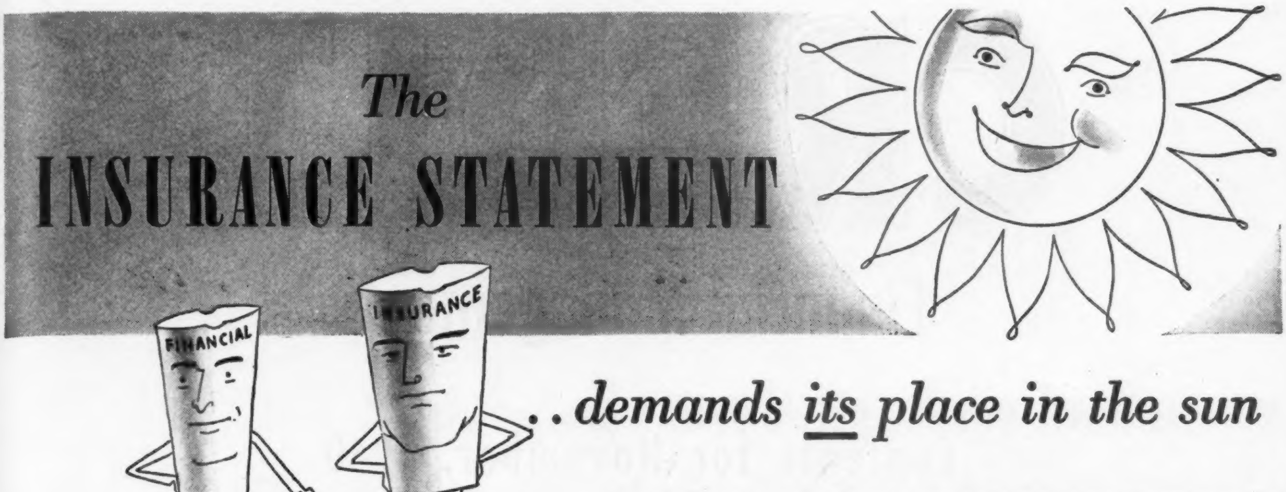

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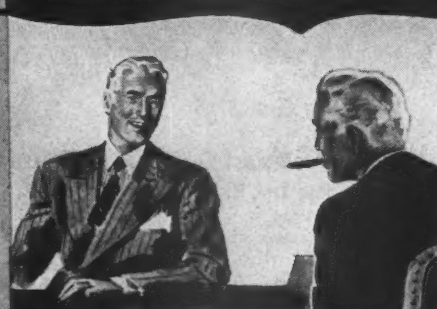

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Contents for November, 1940

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Richard G. Tobin
Editor and Manager

Paul Haase
Associate Editor

Clifford T. Rogers
Advertising Manager

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10 Foreign Trade Rules

1. It is basic to foreign trade that your government afford adequate protection to person and property wherever situated.
2. It is a distinct advantage to any foreign trader to know the language of those with whom he trades.
3. A foreign trader must have patience, stamina and courage. He must expect good and poor years but must firmly resolve to stay with the business during all times. He must not be a fair weather foreign trader, skimming the cream when profits are to be had and abandoning the trade when there are no profits.
4. He must reconcile his own customs and business habits to those of his foreign customer or source of supply.
5. He must try at all times to satisfy his customer or earn the good will of his source of supply and not arbitrarily insist on either selling a particular brand of merchandise or a method of merchandising which has characterized his domestic business. In his buying he must remember the purchase should be mutually profitable.
6. He must be equally interested in buying abroad if he is to sell abroad. The objective of foreign trade is to increase the standard of living in the contracting countries. Both buyer and seller should keep this purpose before them.
7. He must have a deep conviction that foreign trade promotes friendly international relations and contributes to the stability of the world's civilization.
8. He knows that the size of the drawing account or expense allowance is not the final answer to sales results. Consequently, he must oppose any easy money policies intended to subsidize foreign powers without regard as to whether such disbursements of his own nation's funds can be justified on a sound credit basis.
9. He must support a program that allows his family or fellow citizens to live abroad when necessary to soundly promote foreign trade.
10. He must never forget that in every business transaction he is a voluntary good will ambassador for his country.

Henry H. Heimann

Henry H. Heimann
Executive Manager, N.A.C.M.

Some Difficulties in "Arrangements"

A Discussion of Certain Chapter XI Features

By W. Randolph Montgomery, General Counsel, National Association of Credit Men

Almost two years have elapsed since Sections 12 and 74 of the Bankruptcy Act were repealed and Chapter XI was substituted in their place. During this two year period, much experience has been had with arrangement proceedings in many of the federal districts, but apparently in some districts the machinery of Chapter XI has been little availed of.

I think it is fair to say that the chapter is working fairly well, but, as is true of all new legislation, numerous questions have arisen which might have been avoided by better draftsmanship.

One of the most controversial provisions of the statute is the requirement that the plan of arrangement, schedules, and statement of affairs shall accompany the petition. I personally opposed this requirement when it was under consideration by the Bankruptcy Conference and at the hearing before the Senate Judiciary Committee on the ground that it would not be feasible for an harrassed debtor to formulate under pressure a proper plan of arrangement nor would time permit the preparation of schedules and a statement of affairs. Unfortunately, my view was overruled.

Many Plans Premature

The result has been, as evidenced not only by my own experience, but by the experience of most of the referees, that debtors confronted with the necessity of obtaining immediate protection against levies or attachments are filing arrangement petitions accompanied by plans which they have no hope or expectation of putting into effect, and which are used solely for the purpose of hindering and delaying creditors, pending the formulation of a proper plan at some future date.

In districts such as the Southern District of New York, where the rules require a prompt conference at the referee's office of the ten largest creditors to determine whether or not the debtor shall be required to file an indemnity bond as security against loss, the situation is somewhat alleviated. But in some districts, debtors' applications for additional time in which to file an amended plan are often granted not once, but repeatedly, despite the opposition of creditors who are powerless to protect their interests, and in some cases this has been true even though the debtor has been losing money through his unsupervised operation of the business.

Unlike Chapter X, the creditors are not permitted to formulate and file a plan, and if delay is what the debtor is seeking, the present provisions of the chapter are perfectly designed to aid him in accomplishing this end.

It is all very well to say that the remedy in such cases is an application for an order of liquidation, and that a petition for review will result in the reversal of the referee if such application be denied, but you and I know that local sympathy and local pride often permeate even to the bench, and that, particularly in the smaller cities, liquidation of an important local enterprise is not likely to be ordered against the opposition of the debtor except after appeal to the Circuit Court of Appeals.

Creditors Have No Voice in Plan

This situation must be remedied, and in my opinion the solution is: First, to amend the Act to require approval by the court of the petition for arrangement in the same manner as a petition for reorganization under Chapter X, except that, in an XI proceeding, it would be desirable that the application for approval be heard upon short notice to the largest creditors. Second, the creditors themselves should be permitted in the absence of a proper plan by the debtor to formulate and propose a plan of their own.

Right of Stockholders Factor

Another serious difficulty that arises in proceedings under Chapter XI is occasioned by the fact that the rights of stockholders may not be affected by the proceeding. Many corporations seeking relief under Chapter XI are in fact insolvent and the stockholders have no financial interest in the assets. The Act requires that the plan of arrangement be found by the court to be fair and equitable and these words have been construed by the United States Supreme Court in *Case v. Los Angeles Lumber Products Co.*[1] to be "words of art" and to require that claims of creditors, both secured and unsecured, be fully satisfied before the stockholders may, without new consideration, even retain their stock interests in the reorganized company. But, under Chapter XI, there is no way of eliminating such stock interests except by a sale of the assets, and under state law the assets cannot be sold except with the consent of the stockholders. If the stockholders will not consent (and why should they, when consent means elimination), any prospect for a plan of arrangement becomes completely bogged down.

The remedy for this situation would seem to be a provision permitting a finding that the corporation is insolvent, and that the stockholders have no interest, and for their elimination in the same manner as in Chap-

[1] 308 U. S. 106.

ter X, or for the appointment of a trustee to take title to the assets for the purpose, in aid of a plan of arrangement, of conveying title free and clear of the interests of stockholders.

Much confusion has resulted from the provision of Chapter XI for the election of a committee of creditors at the meeting held for consideration of the plan. This meeting is usually not held for at least two weeks after the proceeding is commenced and the plan of arrangement filed. The hearing is called for the purpose of considering the provisions of the plan, and it would seem obvious that in the interim between the filing of the petition and the first hearing a committee should function if, in the average case, its deliberations are to be of assistance to the court and to the general creditor body.

Confusion About Committees

But unfortunately under the Act as drawn, the committee can have no legal existence until it has been formally elected, and it has been held that even though the identical individuals have theretofore functioned as an informal committee, any expenses which may have been incurred for counsel fees or otherwise prior to the election cannot be allowed as an expense of administration.[2] But on the other hand, if the plan of arrangement filed by the debtor expressly provides for the payment of the expenses of a *designated* committee, it has been held that this is a firm engagement which the debtor had a perfect right to make and which does not run counter to anything in the statute. The expenses of the committee will under such circumstances be allowed.[3]

Debtor May Agree to Expenses

And in another case, where the debtor voluntarily made a firm engagement for compensation to an unofficial committee, reserving the right to object to the amount, the court fixed and allowed the compensation to be paid, stating that the statute only provides for what the debtor *must* pay, and that the debtor may legally contract to pay other and additional amounts.[4]

Another troublesome question is whether or not, when the statute refers to a "committee of creditors" in Sections 44 (b) and 337 (2), and to "a committee" in Section 338, it was the intention of Congress to limit the membership of the committee to actual creditors, or whether, on the contrary, attorneys-in-fact or agents of creditors are eligible to serve as members of an official committee. This question recently came before Referee Stephenson in the Southern District of New York and his opinion to the effect that only *bona fide* creditors and not their attorneys or agents may serve on committees was affirmed on review in an opinion by Judge Conger as yet unreported.[5]

The Ruling Case

Undoubtedly that most important and far-reaching decision interpreting Chapter XI was that of the United States Supreme Court in *Securities & Exchange Commission v. U. S. Realty & Improvement Company*[6], where the Court upheld the right of the Securities & Exchange Commission to intervene in a Chapter XI proceeding for the purpose of contesting the jurisdiction of the court despite the fact that Chapter XI contains no provision permitting such intervention.

In the *U. S. Realty* case, the respondent was a New Jersey corporation having outstanding 900,000 shares of capital stock, without par value, and listed on the New York Stock Exchange, and held by some 7,000 stockholders. It had liabilities of over $5,000,000, of which only approximately $75,000 was current. Its indebtedness included two series of publicly held debentures aggregating $2,339,000 maturing in 1944, secured by a pledge of corporate stock of little value, and a $3,000,000 note due August 12, 1939, secured by a first mortgage owned by the respondent. The respondent was also liable as a guarantor of payment of principal, interest, and sinking fund of mortgage certificates in the sum of $3,710,500 issued by a wholly owned subsidiary and held by some 900 holders. These certificates had been in default for failure to pay interest, principal, and sinking fund since January 1, 1939.

Features of the Plan

Before maturity of the first mortgage certificates, the respondent and its subsidiary company had joined in proposing to certificate holders the modification of the obligation of the certificates, leaving unaffected the other indebtedness and stock of the respondent. The maturity of the certificates was to be extended, the rate of interest reduced, and the terms of the provisions for the payment of the sinking fund modified. The respondent's guarantee as to the principal and interest was to be modified accordingly, and its guarantee of sinking fund payments was to be eliminated. This scheme was to be consummated by resort to two proceedings, one to be instituted by the respondent under Chapter XI for an arrangement modifying its guarantee of the certificates in the manner indicated; the other to be instituted on behalf of the subsidiary corporation in the state court to secure the modification of its primary obligation on the certificates. The modification of the respondent's guarantee by the Chapter XI proceeding was to stand even though the state court should refuse to approve the modification of its subsidiary's obligations on the certificates. Upon obtaining consent to the proposal by holders of certificates amounting to approximately 55% in number and amount, the respondent began the Chapter XI proceeding in the United States District Court for the Southern District of New York, praying that the proposed arrangement effecting its unsecured indebtedness be approved.

SEC Opposed Plan

The District Court found that the petition was properly filed under Chapter XI and directed that the respondent continue in possession of its property. Some few weeks thereafter, the District Court entered an order permitting the Securities & Exchange Commission to intervene. The Commission thereupon moved to vacate the order approving the debtor's petition, to dismiss the proceeding under Chapter XI, and to deny confirmation of the proposed arrangement. All these motions were denied and the Commission appealed. The respondent

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[2] *In re Max Fishman, Inc.*, 27 Fed. Supp. 33.
[3] *In re Fisher Dress Corp.*, 33 Fed. Supp. 57.
[4] *In re Haytien Corp. of America*, 37 Fed. Supp. 171.
[5] *In re Chase-Superior, Inc.*, — Fed. Supp. —.
[6] 64 L. 31, 966.

also appealed from the order of the District Court permitting the Commission to intervene. The appeals were consolidated and heard together and the Second Circuit Court of Appeals reversed the order permitting the Commission to intervene and dismissed the appeal of the Commission. The Supreme Court granted certiorari because of the public importance of the questions raised.

The Commission argued (1) that Chapter X of the Bankruptcy Act prescribes the exclusive procedure for reorganization of a large corporation having securities outstanding in the hands of the public, and that the District Court was without jurisdiction to entertain respondent's application under Chapter XI; (2) that in any case the District Court should have dismissed the petition, because, in the circumstances, no fair and equitable arrangement affecting the respondent's unsecured creditors alone such as is prescribed by Chapter XI can be consummated in a proceeding under that chapter; and (3) that, such being the status of the cause under Chapter XI, the Commission was by the District Court properly allowed to intervene to protect the interest of the public specially committed to its guardianship by the provisions of Chapter X and to forestall the impairment of its own functions under that chapter by an unauthorized resort to Chapter XI.

Points to Chapter X

The Court admitted that, within the literal terms of Chapter XI, a debtor is unqualifiedly authorized to petition under that chapter for an arrangement with respect to its unsecured indebtedness, but said that, even though the court has jurisdiction, in the exercise of its equity powers and actuated by considerations of public policy, relief should be withheld under Chapter XI when relief is available under Chapter X which is adequate and more consonant with public policy.

The Court then proceeds to compare the provisions of Chapters X and XI and lays great stress upon the safeguards for the protection of the public that are contained in Chapter X and points out that no comparable safeguards are found in Chapter XI.

On the contrary, under Chapter XI, the court found Chapter XI, where every phase of the procedure is under the control of the debtor and where there are no provisions for independent study and advice to the court concerning the debtor's affairs by a disinterested trustee, or for investigation and report by the Securities and Exchange Commission.

Does Not Protect Unsecured

Pointing out that both chapters require a finding that a plan of reorganization or arrangement, as the case may be, is "fair and equitable," the Court said:

"The phrase signifies that the plan of arrangement must conform to the rule of *Northern Pacific Ry. Co. v. Boyd,* 228 U. S. 482, which established the principle which we recently applied to the *Los Angeles* case that in any plan of corporate reorganization unsecured creditors are entitled to priority over stockholders to the full extent of their debts, and that any scaling down of the claims of creditors without some fair compensating advantage to them which is prior to the rights of stockholders is inadmissible."

In the light of the requirement that a plan be "fair and equitable," the Court concluded that Chapter XI gives no appropriate scope for an arrangement of an unsecured indebtedness held by some 900 individual creditors of a corporation having 7,000 stockholders:

"The hope of securing an arrangement which is fair and equitable and in the best interests of unsecured creditors, without some readjustment of the rights of stockholders such as may be had under Chapter X, but is precluded by Chapter XI, is at best but negligible and, if accomplished at all, must be without the aids to the protection of creditors and the public interest which are provided by Chapter X, and which would seem to be indispensable to a just determination whether the plan is fair and equitable."

But even though the "fair and equitable" test might be met, the Court pointed out that:

"Confirmation of an arrangement follows a finding ***that it is *for the best interests of the creditors,* §366 (2). Here determination of what is in the 'best interest of creditors' depends on the answer to the question whether the stockholders should be eliminated or, the creditors should receive some substitute compensation, and whether that compensation is fair and equitable. *In a situation like the present it is in the best interests of the creditors that these questions should be answered in a Chapter X proceeding.*"

The proper scope of a proceeding under Chapter XI, according to the Supreme Court, is the case of the small individual or corporate business where there are no public or private interests involved, requiring the protection of the procedure and remedies afforded by Chapter X.

Court Compares Two Chapters

While Chapter XI contains no provision such as that in Chapter X permitting the dismissal of a petition under Chapter X if relief under the other chapter would be adequate, the Court found that, in the exercise of its general equity powers, the District Court has and should exercise such jurisdiction, and that the adequacy of relief under Chapter XI is to be appraised in comparison with the relief to be had under Chapter X in the light of its effect upon the public and private interests concerned.

As to the Commission's right to intervene in the proceeding, the Court found an excuse for such intervention in Rule 24 of the Rules of Civil Practice, made applicable to bankruptcy proceedings by Paragraph 37 of the General Orders.

A strong dissenting opinion was filed by Mr. Justice Roberts, in which the Chief Justice and Mr. Justice McReynolds concurred. The dissenting opinion rejected the involved reasoning of the majority and pointed out that, under the plain and unambiguous words of Chapter XI, any corporation is permitted to seek an adjustment of its unsecured debts, and that there is no inconsistency between Chapters X and XI because, whenever any corporation, large or small, desires to *reorganize,* as distinguished from the mere effecting of an arrangement with unsecured creditors, recourse *must be had* to Chapter X which alone affords the type of relief necessary for reorganization. The phrase "fair and equitable," the minority opinion pointed out, is used not only in Chapters X and XI, but also in Chapters XII and XIII, dealing respectively with real property arrangements by individ-

What Has Been Your Experience With Chapter XI "Arrangements"?

Won't You Write Us About Them? It was the hope of the drafters of the Chandler Act that the new "Plan of Arrangements" for embarrassed debtors would be of great help to creditors as well as to debtors. How has this new feature of bankruptcy law worked out in your experience? Mr. Montgomery presents his views as a lawyer. What are your views as a Credit Executive? We hope to present a symposium of views in the December issue.—*The Editors.*

uals and wage earners' plans, and obviously the phrase must be given the connotation appropriate to the section in which it is used.

The argument of the majority that the bankruptcy court, as a court of equity, may find that the balance of convenience requires a refusal to exercise jurisdiction expressly conferred by Congress, was emphatically rejected by the minority.

The minority also categorically rejected the argument that the Securities & Exchange Commission has any such interest in a bankruptcy proceeding as was found by the majority to justify a right of intervention.

Judicial Legislation?

To those of us who are intimately familiar with the legislative history of Chapters X and XI, the reasoning and the conclusions of the majority can appear as nothing more than a supreme example of judicial legislation. The minority opinion correctly expresses the intention of the members of the Bankruptcy Conference in drafting Chapter XI, to which it was intended that *any corporation* might have recourse for the purpose of adjusting its unsecured debts, as distinguished from reorganization of capital structures and readjustment of secured debts. It was specifically intended to exclude the Securities & Exchange Commission from Chapter XI because the Commission was created to protect security holders and is concerned with nothing else. True it is that debenture bonds are "securities," but this fact was clearly pointed out by several members of the Bankruptcy Conference, including myself, before the enactment of Chapter XI, and the suggestion was made that Chapter XI would undoubtedly be utilized by large corporations seeking an adjustment of unsecured debts represented by debentures. Nevertheless, with the full knowledge of the Securities & Exchange Commission, the statute was enacted in the form in which it now appears, which to me indicates clearly that Congress had no such intent as that attributed to it by the majority of the Supreme Court. The truth is that the Securities & Exchange Commission, realizing the experimental nature of the safeguards incorporated in Chapter X and of its own participation in reorganization proceedings, deemed it wise to await actual experience with these provisions before extending their scope to other chapters of the Act.

Nevertheless, I am inclined to agree that the rule laid down by the Supreme Court majority will be conducive to sound administration of the Law. If the reorganization of any corporation with publicly held securities is to be subjected to the safeguards provided by Chapter X, then all such reorganizations should be governed by the same restrictions whether or not the particular securities happen to be debenture bonds, mortgage bonds, or certificates of stock. Amendment of Chapter XI will, however, be necessary to establish clearly the dividing line between corporations whose securities are "publicly held" and which are therefore subject to reorganization only under Chapter X and those corporations which may reorganize under Chapter XI because their securities are not publicly held. A bill to establish this dividing line was introduced at the present session of Congress by Mr. McLaughlin, but I understand it has been pigeonholed for the present session.

Imposing upon an arrangement under Chapter XI the test that it must be fair and equitable in the sense of the *Boyd* case will greatly restrict the number and type of corporations which may be successfully reorganized without recourse to Chapter X. As I have heretofore pointed out, no plan of arrangement for an insolvent corporation, whose stockholders are not the active managers of the enterprise, can ever meet the test laid down by the *U. S. Realty* case unless the stockholders make a contribution of new capital to the corporate enterprise. Whether such a requirement is realistic is a question which deserves serious consideration. Aside from the theoretical inequality of permitting stock ownership to remain unaffected while cutting down the amount of creditors' claims by way of a composition, why, it may be asked, should the creditors be penalized by the necessity of liquidating the corporation and thereby losing for themselves an outlet for their merchandise, rather than allow evidences of ownership in the form of stock certificates to continue in the possession of the original holders.

What Is "Best Interest?"

Under Section 12, the test was whether a composition was for the best interests of creditors, and the measure of that was whether the creditors would receive at least the same amount that they would have received on liquidation. This is what the framers of Chapter XI meant by the use in that chapter of the phrase "the best interests of the creditors," rather than the meaning attributed to those words by the Supreme Court in the *U. S. Realty* case.

In my judgment, a realistic approach would make the "best interest" test the one which should determine whether an arrangement should be confirmed, and serious consideration should be given to the question of eliminating from Chapter XI the words "fair and equitable." Certainly they have no application when the arrangement is by an individual or partnership, and certain it is also that it was never intended by the framers of Chapter XI that these words should be used as "words of art." As it turns out, they were in fact words of disingenuity rather than words of art, for they have led to an interpretation of Chapter XI which the framers of that chapter never anticipated.

Statistical Survey of Balance Sheets

Talon, Inc., Makers of Slide Fasteners, Makes Important Study in Men's Clothing Industry

Material Supplied Through Courtesy of J. M. Buckelew, General Credit Manager

The information used in this study was obtained from Balance Sheets and Profit & Loss Statements furnished by the National Credit Office. Of a total of 176 statements used, 137 were dated December 31, 1939, and 39 were dated November 30, 1939. While manufacturers making both men's and boys' clothing were included, uniform manufacturers, custom tailors and manufacturing chain store operators were excluded along with manufacturers operating a few retail outlets. The survey covers manufacturers mainly operating on the contract system and selling unbranded goods to independent retailers.

PURPOSE

1. **To establish standard balance sheet and operating ratios that will serve as a basis for comparison of individual companies. Customers of Talon, Inc., may use these standards of the industry to measure the degree of their own efficiency. Since the standards are based upon a composite financial statement, it is impossible to determine the profit or loss movements of a particular firm.**
2. **To provide a continuous body of information as a basis for detecting changes in financial conditions and in operations.**
3. **To ascertain the significance of these movements in order to improve our credit appraisal in the industry.**

The statistics developed from the study were prepared as arithmetical averages with the elimination of unusually large or small concerns, an attempt being made to show an "average of average concerns."

It was decided to present most of the 1939 exhibits on the basis of both Profits and Losses which is the preferred method as indicated by the comments we received on the 1937-1938 survey.

Moreover, because concerns operating at a profit are separate from those operating at a loss, distortion in results was avoided. Furthermore, by such a separation, the ratios more nearly approximate a standard that can be used in judging proper balance sheet and operating ratios required for successful operations. We could not include a three year experience in the above manner in this survey, but in 1941, yearly comparisons on the revised basis will be presented.

The important function of the present survey of the men's clothing industry is that it provides the industry with standard balance sheet and operating ratios against which to measure the experience of a single business. It is suggested that the individual manufacturer compare the ratios of his business with the one classification that corresponds with his particular net worth. Such procedure will enable him to make a more accurate appraisal of his ratios with a standard.

We suggest that where the services and advice of a certified public accountant are available, the manufacturer present this survey to his accountant for study. Any constructive criticism which the recipients of this survey may make will be welcomed.

Realizing that ratios are sometimes interpreted differently we are attempting to clarify the meanings by presenting the following explanations of terms and illustrations showing exactly what the ratios mean or the story they tell:

Current Assets

Total of cash, accounts and notes receivable from the sale of merchandise in regular trade quarters, inventory, listed securities when carried at the lower of cost or market, and United States Government securities.

Current Liabilities

Total of all liabilities due within one year from statement date including current payments on serial notes, mortgages, debentures or other funded debts. This item also includes current reserves such as reserves for taxes, and reserves for contingencies set up for specific purposes, but does not include reserves for depreciation.

Liquid Assets

Total of cash, accounts receivable, notes receivable and trade acceptances from the sale of merchandise in regular trade quarters if taken in payment of current accounts.

Tangible Net Worth

The difference between the total assets and the total liabilities less any tangible items in the assets, such as goodwill, trade marks, patents, copyrights, leaseholds, mailing lists, organization expenses, and underwriting discounts and expenses.

Working Capital

The difference between the Current Assets and the

Current Liabilities.

NOTE: While some authorities differentiate between Liquid Capital and Working Capital by defining Liquid Capital as the difference between Current Assets and Current Liabilities, and Working Capital as the difference between Current Assets and Current Liabilities plus funded indebtedness such as bond issues, we feel that the term Working Capital as representing the difference between Current Assets and Current Liabilities has become so familiar as to justify its use in that sense in this survey. Further, the concerns under study all had a Net Worth under $200,000 and were without funded indebtedness.

Therefore, as previously stated, Working Capital as here employed means the difference between Current Assets and Current Liabilities.

Inventory Turnover (Based on Net Sales)

The result obtained by dividing the annual net sales by the statement inventory. This percentage is determined to ascertain the liquidity of the inventory. This quotient does not represent the actual physical turnover. If it were possible to obtain complete operating statements consistently from year to year, a ratio based on cost of goods sold would furnish a more accurate turnover of inventory, but inasmuch as most concerns do not issue a complete income statement, the turnover based on net sales is more commonly used.

Receivables

The term Receivables, includes all open accounts, notes receivable, and trade acceptances receivable from the sale of merchandise in regular trade quarters, and the total of all discounted notes or receivables hypothecated.

Net Sales

The dollar volume of business transacted for 365 days net after deductions for returns, allowances, and discounts from gross sales.

Collection Period

The number of days that the total of trade accounts and notes receivable (including assigned accounts and discounted notes, if any), less reserves for bad debts represents when compared with the annual net credit sales. Formula—divide the annual net credit sales by 365 days to obtain the average credit sales per day. Then divide the total of accounts and notes receivable by the average credit sales per day to obtain the average collection period.

Net Profit

Profit after full depreciation on buildings, machinery, equipment, furniture, fixtures and other assets of a fixed nature; reserve for taxes; reduction in the value of inventory to cost or market, whichever lower; charge-offs for bad debts; all miscellaneous reserves and adjustments; but before dividends or withdrawals.

What the Ratios Mean
(All examples based on Classification 1—Profit Group)

1. Current Assets to Current Liabilities

The ratio of 2.10 to 1.00 indicates that there are $2.10 with which to pay every dollar of current indebtedness. This may be considered a safe ratio if the ratios following reflect (*Continued on p. 21*)

Men's Clothing and Trouser Industry Statistical Survey of 1939—Balance Sheet and Operating Ratios

Classification		No. of firms	Total net sales	Average net sales (per firm)	Cur. assets to cur. liab.	Liq. assets to cur. liab.	Net worth to cur. liab.	Work. cap. to inventory	Working capital turnover	Inventory turnover	Accounts receivable turnover	Average collection period	Gr. prof. on net sales	Total exp.	Net prof. on net sales	Ret. gds. on gr. sales	Discount on gross sales (less returns)
					(Times)	(Times)	(Times)	(Times)	(Times)	(Times)	(Times)	(Days)	(Per Cent)	(Per Cent)	(Per Cent)	(Per Cent)	(Per Cent)
1. Avg. All Clo. Concerns	Profit Group	108	$34,124,736	$315,969	2.10	1.28	1.29	1.34	5.60	7.51	5.54	66	13.33	11.64	1.69	6.72	2.58
	Loss Group	24	$ 4,578,098	$190,754	1.88	1.04	1.07	1.04	5.56	5.81	5.17	70	12.55	13.69	1.14*	6.90	2.14
2. Up to $25,000 Net Worth	Profit Group	17	$ 2,186,880	$128,640	2.01	1.16	1.10	1.19	7.09	8.44	7.50	49	15.42	13.82	1.59	7.24	1.73
	Loss Group	13	$ 1,677,483	$129,037	1.61	1.00	.65	1.00	8.75	8.75	5.92	62	9.43	11.05	1.62*	5.70	1.68
3. $25–$50,000 Net Worth	Profit Group	38	$ 6,923,285	$182,191	2.00	1.20	1.03	1.26	5.90	7.42	5.78	63	13.83	11.92	1.91	8.26	4.00
	Loss Group	5	$ 1,046,805	$209,361	1.90	.89	1.02	.89	7.48	6.69	8.34	44	13.93	14.52	.59*	6.48	2.20
4. $50–$100,000 Net Worth	Profit Group	28	$ 8,071,927	$288,283	2.23	1.43	1.45	1.53	5.16	7.91	5.00	72	13.61	12.02	1.59	6.32	1.50
	Loss Group	6	$ 1,440,473	$240,078	2.27	1.30	1.50	1.32	4.16	5.49	4.50	81	14.81	15.32	1.01*	8.58	1.80
5 $100–$200,000 Net Worth	Profit Group	23	$16,553,149	$719,702	2.09	1.26	1.34	1.32	5.57	7.34	5.50	66	12.74	11.04	1.70	6.30	3.06
	Loss Group	Not Analyzed—Lack of Information															
The following classifications are based upon combined profit and loss groups.																	
6. Wholesale Price Range	$ 8.00–$15.00	26	$ 5,667,695	$217,988	2.15	1.36	1.21	1.45	5.19	7.53	5.02	72	13.19	12.04	1.15	6.73	2.26
	$15.00–$21.00	24	$ 8,573,700	$357,237	1.96	1.19	1.10	1.25	6.52	8.17	5.87	62	12.01	10.70	1.31	7.61	2.22
	$21.00–up	13	$ 5,975,555	$459,658	2.12	1.21	1.31	1.24	6.12	7.57	6.50	56	12.67	11.35	1.32	3.69	3.84
7. Firms Doing Own Manufacturing		34	$17,147,752	$504,345	1.80	1.07	1.09	1.10	6.98	7.66	5.80	63	13.42	12.09	1.33	6.08	3.36
Firms Using Contractors Exclusively		98	$21,555,081	$219,949	2.31	1.40	1.40	1.44	4.84	6.97	5.27	60	13.10	11.73	1.37	7.09	2.08
8. Avg. All Trouser Manufacturers		44	$ 6,978,888	$158,611	2.50	1.23	1.78	1.18	4.52	5.34	6.29	58	15.91	12.59	3.32	3.96	3.14

*Denotes Loss.

What to Check in Annual Statements

The Balance Sheet in Credit Analysis Work

By B. P. Murphy, Link-Belt, Ltd., Toronto, Canada

I recall vividly a crack that a lawyer friend of mine made many years ago when I went to him to swear an affidavit, when he stated that "the truth is sometimes found in an affidavit." I think many of you will agree with me that the same may be applied to some of the financial statements you have been called upon to study before granting credit to a prospective customer.

With credit information available from the National Association, and for us in Canada with the Canadian Association, together with mercantile credit houses, we are usually in position to pass credit on many orders without reference to financial statements. However, frequently it is necessary and imperative that we must have up-to-date financial statements available. Then deliberate study must be made of those statements.

An order is attractive to a company just so long as there is a reasonable chance of getting paid for it. Getting paid for it usually requires that intelligent consideration be given by the credit department during the time the sale is in the process of being made, and up to the time it results in an order. When this is done, the credit department is then in position to proceed immediately to get additional information from the prospective customer if their investigations have shown it is necessary that they do so.

Check Working Capital First

One of the first conditions to my mind that should be investigated and considered when a financial statement is received is the position of the working capital of a company. You all know that the working capital consists of those assets which can be readily realized upon, less those liabilities that have a direct call upon those assets.

In studying a balance sheet, cash is a major item. With an authorized audited balance sheet, the cash figure usually is one that is verified by certificates given direct to the auditors by the banks where the balances are located. However, this condition does not apply to accounts receivable, notes receivable and inventories.

There are accounts receivable, and again accounts receivable. With the general balance sheet, an item is found under accounts receivable. The amount showing there might be a decided help in showing what is apparent as a very healthy ratio of current assets to current liabilities, but if those accounts receivable were examined and properly aged, and examined as to their possibility of collection, an entirely different condition might be found.

The same refers to notes receivable. What is the history of the items which go to make up the notes receivable amount, when are these notes due? What do they cover? Are they notes taken to cover accounts which were already long overdue and possibly at the time the notes were taken, should have been written off, or at least transferred to suspended accounts receivable?

Inventories

Inventories are usually included in working capital and classed as current assets. When audits are made, as I said above, cash is usually certified to by bank certificates and cash on hand by actual count at the time of audit. Accounts receivable can be verified by check with the actual customers, and verification by them of the outstanding balances as shown in the accounts receivable ledger.

Notes receivable must be supported by actual notes available and further check with the companies who have furnished these notes.

However, it is an entirely different condition when you get into inventories. A business can win or lose on their inventories. As long as inventories are considered as current assets, they need more study, to my mind, than the other items that enter into the class of working capital. How often is the inventory turning over? Is the company in question giving sufficient attention to inactive and obsolete items? Are they watching the market from a competitive standpoint? Have they included in these inventory figures cost values of items that are gradually losing their place in the market? Have the items included in the inventory been set up from a value standpoint at a proper valuation when they have been purchased or when they have been manufactured in their own shops? I think I am safe in saying that auditing an inventory is a pretty difficult thing to do as compared with cash, accounts receivable, notes receivable, etc. I would therefore suggest, when studying a balance sheet, that a very close comparison should be made of the inventory value shown as compared with the company's regular monthly sales.

What of Fixed Charges?

Consideration also must be given to fixed charges. Is the plant and equipment top heavy for the amount of business available for the investment involved? What are the current obligations against this plant and equipment? What effect are those current obligations going to have on the available working capital? Has the com-

pany an expansion program under way that might be ill advised, under all conditions, and have serious effect on their ability to pay you when your accounts become due?

What about investments? Are they government bonds readily realizable, or a miscellaneous assortment of different types of stocks and bonds which have been used as collateral to borrow cash from banks? Are they those types of stocks and bonds which a business recession or depression would cut their value in half and wipe out the cash position or seriously impair it? Are they direct investments in other companies, which companies are possibly already in operating difficulties?

In covering the assets, I have tried to cover those items that have considerable bearing and effect on a company's ability to take care of their obligation.

Now to get to the other side of the sheet and current liabilities.

Bank loans can be verified by certification by the bank. However, the obligation to the banks as to repayment of the loans may be a direct charge against current working capital, depending on the arrangement with the bank, and if those obligations are too severe, may have a serious effect on the working capital.

Accounts payable can be verified by direct check by the auditors with the companies to whom these accounts are owing. The total amount of accounts payable may seem out of line with the cash and accounts receivable. However, investigation might show that a considerable portion of these accounts might be payable on an extended time basis. If this were the case, you might find that the accounts payable, with their extended payments, would tie in with the company's operation, and clearly indicate that with regular operation by the company, the accounts payable are normal and not out of line.

What of Mortgages?

Are there any mortgages on the fixed assets? If so, what are the obligations? Is there by any chance a chattel mortgage on the whole plant? These items are additional ones that should be given careful study.

How does the invested capital compare with the amount of business the company is doing and has available for its production, and what is the net return on the investment?

If the company has been steadily showing decreases on its sales volume each year, and the ratio of the sales dollar to the invested dollar is decreasing each year, this should be given careful thought.

If the company has passed their bond interest and not paid any dividend to its stockholders for a given period, and is showing reductions in its surplus account each year, here again is something to be watched and given consideration.

Another major item which I have not mentioned up to now under the heading of liabilities is that word that has come to the forefront so decidedly, and that is the word "Taxes."

Taxes Must Be Considered

Being connected in Canada with an American company, I am familiar to a slight degree with some of the taxes that are now in effect in the United States. However, being a Canadian and having taken care of our company tax returns in Canada for a great many years, I feel that I am quite familiar with all taxes applying to an industrial company. This applies to federal, provincial and municipal taxes. When you see an amount as a liability for any of these taxes, hasten to get those in your calculations as to the liabilities outstanding, for I think I am very sure that if you do extend credit to a given company, those taxes which are shown on the balance sheet that you have given consideration to are more than likely to be paid before you get your money for the credit you have extended.

The last item I am going to mention is depreciation. If possible, I would suggest that when getting financial statements, you should try to get depreciation separated as to buildings and equipment. The statements more than likely will show the gross value of buildings and equipment. The relationship of the gross value, both of buildings and equipment, should be compared with the values shown for the amount set up for depreciation. This would indicate to you, taking all other matters into consideration in connection with the company, if the company has been properly charging depreciation, and if those net values are close to being correct.

Liquor Wholesalers Show Turn-Over of 9.7 Times

W. B. Talbot, Frankfort Distilleries, Inc. has made some interesting studies of the financial statements of liquor wholesalers. One of these has to do with the average turnover of net worth by the middle men in this line. He reports:

"In 1939 the typical wholesaler had an annual turnover of tangible net worth of 9.7 times. A five year comparison shows 14 times in 1935, 12 times in 1936, 10.1 times in 1937 and 8.7 times in 1938. As earnings are retained in the business, the net worth shows an increase which will naturally reduce the number of times it is turned over providing there has not been a phenomenal increase in sales volume.

"Here is an item that is worthy of study, the typical wholesaler's average collection period. It is encouraging to note that his average collection period of 34 days in 1939 does not show an increase for the first time in five years. In 1935 his average collection period was 24 days, in 1936 26 days, in 1937 31 days, in 1938 35 days. It is to be hoped that this checking of the constant rise in the collection period of the wholesaler is to be a permanent one. You may draw your own conclusions as to what caused this steady rise each year, as to what checked it is more or less debatable. In discussing this with wholesalers throughout the country, some wholesalers attribute it to various state laws that regulate the maximum terms of credit that can be extended by the wholesaler to the retailer. Others say 'no' and offer various other reasons.

"To give you some idea of the typical liquor wholesaler's ability to discount his merchandise purchases or even pay them within a thirty day period, which I believe are the customary maximum terms extended by the distiller, he is owing for 45 average days sales to his merchandise suppliers. In 1937 this figure was 33 days.

"That the typical wholesaler is carrying a larger inventory is reflected in the following figures. In 1939 his inventory represented 52 average days sales. In 1937 it was 44 average days sales, and in 1938 42 days sales.

Will Banks Capture Sales Financing?

Census Survey Shows Trend in That Direction

Previous to 1934, when Mrs. Whosis bought an electric refrigerator on time payments, it was almost a 100 to 1 bet that her "paper" was handled by a sales finance company. The finance company probably did not have enough capital to handle the business of all the Mrs. Whosises who bought refrigerators, vacuum cleaners, washing machines and other household equipment, and the banks loaned large sums to them at low rates of interest and the finance companies in turn loaned it out to Mrs. Whosis and her friends. But today the banks are taking the cream of this time-payment loan business direct and are pocketing the larger profits themselves.

This information is revealed by a study of sales-financing just published by the Bureau of the Census in the Department of Commerce, which points out that since 1934 the amount of sales-finance business being handled by banks is showing a tremendous increase. A summary of this survey by Vergil D. Reed, Assistant Director of the Census, points out:

Banks Get Into This Business

"Since the start of the business, sales finance companies have been heavy borrowers from banks, but increasingly since 1934 banks have entered the sales finance field themselves and are purchasing large quantities of retail installment paper from dealers or lending to their customers to finance installment purchases, particularly of motor cars and household appliances. At the end of 1939, bank holdings of this class of paper totaled $541,243,000, or 28.6 percent of the combined holdings of banks and sales finance companies. Of the 13,493 insured commercial banks in the country 10,381 reported that they handle retail installment paper. This is independent of the business of personal-loan departments of banks. The reports from banks were received through the cooperation of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

"A comparison of sales finance company holdings and bank holdings of retail installment paper, by States and 115 principal cities, shows fundamental differences in bank policy in different parts of the country, caused by differences in State banking laws, branch banking, the desirability of sales finance companies as accounts, and varying degrees of conservatism in the attitude of bank managements toward new types of business.

Pull up Even in Some States

"In six States the holdings of sales finance companies and banks are practically identical in amount. The States are California, Minnesota, Nevada, New Mexico, Virginia, and Wyoming. In nine States (Idaho, Iowa, Kansas, New Jersey, New York, Oklahoma, Oregon, South Dakota and Vermont) banks hold practically half as much paper as sales finance companies. Alabama bank holdings are hardly more than 10 percent of sales finance company holdings, while banks in Rhode Island and South Carolina hold less than 10 percent as much of this class of paper as is held by sales finance companies in those States.

"The report also shows great differences in bank policy as between cities. New York, San Francisco, San Diego, St. Paul and Evansville (Ind.) banks hold more retail installment paper than is held by sales finance companies. In Los Angeles, South Bend, Newark (N. J.), and Spokane the banks hold more than half as much as sales finance companies. In contrast, there are 29 cities in which bank holdings are hardly 10 percent, or even much less than 10 percent, of the holdings of sales finance companies, and the list includes such cities as Chicago, Milwaukee, Atlanta, Jacksonville (Fla.), Birmingham, New Orleans, Memphis, and Denver. Other cities in this category are Albany, Charlotte, Dayton, El Paso, Little Rock, Miami, Oklahoma City, Omaha, Peoria, Providence, Pueblo, Reading (Pa.), Salt Lake City, San Antonio, Syracuse, Tampa, Toledo, Waterbury (Conn.), Wichita, Worcester, and Youngstown.

Ahead in New York

"Extremes are illustrated in the following table:

In thousands—000 omitted

City	Finance Co. Holdings	Bank Holdings
New York	$49,950	$52,860
San Francisco	13,341	13,800
San Diego	3,172	3,443
Evansville	1,989	4,376
St. Paul	4,793	5,765
Chicago	64,096	4,179
Atlanta	18,783	1,923
Denver	15,420	1,431
New Orleans	13,809	408
Charlotte	13,430	407

"The census shows that 74.5 percent, or more than $1,483,000,000, of the retail paper purchased by sales finance companies in 1939 was automotive, 23.5 percent was for household items such as electrical appliances, radios, and furniture, and less than 2 percent covered soft goods, jewelry and similar items. Aircraft paper, not yet much of a factor but growing in favor, totaled only $581,000 in 1939. How much more was held by aircraft manufacturers and dealers is not indicated.

"In order to provide some measure of the position of sales finance companies and banks in relation to finance companies in the personal-loan and allied fields, the report includes a series of estimates accepted as reliable by the

industries involved, of the amount of business done by industrial banking companies, personal-finance companies, credit unions, the personal-loan departments of commercial banks, and other lending agencies.

Billion Now Outstanding

"It is evident from cited estimates of responsible authorities in these fields that something over $1,000,000,000 of personal-loan indebtedness is outstanding, in addition to about $1,890,000,000 of sales finance paper in the hands of finance companies and banks. The amount of accounts receivable on the books of retailers will be shown in a later Retail Census report."

Some interesting sidelights on the development of time-payment sales are shown in the following excerpt from the survey:

"Retail installment paper arises from sales of merchandise on deferred payments, in millions of individual transactions between retailers and their customers.

"Retailers sell either for cash, on open charge account, or on various installment plans. Each retailer elects the terms of sale, whether cash or credit. If he elects to extend credit, he has the further alternative of offering open charge accounts usually payable in 30 to 60 days, or some form of installment credit with deferred payments extending over an agreed period of weeks or months. If he elects to extend credit on deferred payments, he has the further alternative of financing the credit with his own capital by holding the customers' notes until paid, or of obtaining cash immediately by selling (discounting) the customers' notes, with or without recourse or further liability, to a sales-finance company or bank.

Big Drop in 1933

"The Retail Census provides a measure of the business done on credit. The amount dropped from 17 billions in 1929 to 7 billions in 1933, rose to 10.6 billions in 1935, and is estimated to have reached 13.5 billions in 1937. The 1939 figure is not yet available.

"Evidence of indebtedness of the customer on open charge accounts is usually in the form of ledger accounts, posted from sales checks signed by the customer or written by the sales clerk in the ordinary course of business. Evidence of indebtedness on installment accounts is a signed instrument variously called a note, lease contract, conditional sales contract, or bailment lease, acknowledging the indebtedness (usualy including a financing or carrying charge) and describing the terms on which it will be paid. It is these signed instruments of indebtedness, either strengthened further by the endorsement or guarantee of the retailer ("with recourse") or sold without recourse, that are handled by sales-finance companies and banks as retail installment paper. The amount not sold but held by retailers will be shown as installment accounts receivable in the Retail Census.

"Security for indebtedness on open accounts is seldom more than the credit standing of the customer and his implied promise to pay; the security on installment accounts, although primarily the trustworthiness of the customer, is usually some form of title instrument reserving title or a claim on the merchandise until the deferred balance is paid. Often the note and the title instrument are combined in the same paper, frequently called a lease contract or conditional bill of sale.

"When the retailer finances his own installment paper he usually holds the note and title instrument, endorsing thereon the periodical payments as made until the contract is completed, whereupon the note and title instrument are given to the customer. Financing its own receivables reduces a retailer's working capital available for merchandise, but it is still the usual practice of department stores and retailers of agricultural instruments, pianos, sewing machines, books, furniture, and jewelry. Such retailers frequently borrow on their general credit of which the strength of their receivables is an element, but seldom by hypothecation of the accounts.

How Time Sales are Financed

"When the retailer finances through a finance company he usually sells the note, protected by the title instrument, to a finance company at a flat price or agreed rate of discount. The finance company may buy the paper without the right of recourse, releasing the retailer from liability as an endorser, or with recourse so that the paper, if it is not paid in a satisfactory manner, may be turned back to the retailer without loss to the finance company. In practice, a general repurchase agreement is often used, which is a continuing contract under which the retailer agrees to repurchase any goods repossessed by the finance company within 30 or 60 days, thereby avoiding separate endorsement of each note.

Another method of financing installment sales is for the retailer to borrow from a finance company or bank on his own note protected by the pledge of an agreed additional amount of installment notes or conditioned sales contracts, with the right to withdraw satisfied or defaulted notes and substitute others. If the retailer continues to receive the payments from his customers, he usually pays the full amount or an agreed percentage of such collections to the finance company or bank to reduce the amount of his own loan balance. Such loans are not purchases of retail installment paper, and are not included in this census. Finance companies often borrow from banks on the same plan of pledging but not selling their holdings. Frequently a trustee is designated to hold the paper for the protection of all creditors pro rata, and certify the amount and character thereof periodically.

Still another variation of this method of financing is for a retailer to turn over his installment notes to a finance company for collection, establishing thereby a line of credit against which he may draw certain amounts proportionate to the value of the remaining balances of the installment notes. The finance company does the collecting but does not buy the paper, merely crediting the payments to the loan account of the dealer. Such transactions are classified as business loans and not sales finance.

SUMMARY ANALYSIS OF RETAIL SALES, 1929-38

[Census figures for 1939 not yet available]

Year	Total sales (000)	Open account sales (000)	Per-cent	Install-ment sales (000)	Per-cent	Cash sales (000)	Per-cent
1929 Retail Census.	$49,115	$10,290	21.3	$6,500	13.0	$32,325	65.7
1933 Retail Census	25,037	6,944 (27.7 percent)				18,093	72.3
1935 Retail Census.	33,011	7,041	21.3	3,599	10.9	22,371	67.8
1936 estimated Foreign and Domestic Commerce	37,940	8,160	21.5	4,489	11.8	25,291	66.7
1937 estimated Foreign and Domestic Commerce	39,930	8,828	22.1	4,627	11.6	26,475	66.3
1938 estimated Foreign and Domestic Commerce	35,425	7,921	22.4	3,309	9.3	24,195	68.3

Installment sales proportion for 1929 based on 5-State sample applied to United States totals. For 1933 the open-account and installment proportions are not available separately.

Distribution Problems That Affect Credit

Some Legislation That Adds to Selling Costs

By Howard S. Almy, Assistant Secretary,
The Collyer Insulated Wire Co., Pawtucket, R. I.

Before touching upon some of the current distribution policies I would ask that you reflect for just a few moments on some of the economic developments that have transpired since the Civil War Period. I have felt for some time, that, if we were to have a clear understanding of and find an eventual solution to many of our problems, we must first obtain a clear picture of what has gone before and what has brought them about. Oftentimes inquiry into the past throws a light on the present.

Let us consider the period which followed the Civil War. Distribution and credit were vitally affected by poor transportation facilities. Distance to markets was a pressing problem. Long terms were the order of the day. In that era the credit grantor was required to perform the function of the commercial bank. We had no Federal Reserve System or National Banking Act. Even our national currency was a very uncertain entity. That period of commercial history was free from government regulations as well as the multiplicity of taxes with which business must reckon today.

Period of Expansion

Then came the period of commercial and industrial development with the opening of new frontiers, the enactment of a bankruptcy system, at least for the requirements of those times, and a sound currency were the order of the day. Those periods from 1890 to 1910 show the consolidation of business enterprises, the merger of many small units into various national systems and the formation of such large national corporations as the United States Steel Corporation all well known to you. The so-called "Diamond Jim Brady" era was perhaps one of the most fascinating in the history of the development of American business.

The part which our own Association of Creditmen has played is well known to you. With the enactment of improved bankruptcy statutes came the anti-trust laws. However, the so called "Golden Age" was a period when the majority of laws enacted by Congress were for the benefit of business and regardless of the legal composition of a particular kind of business, be it large or small, it was able to adjust itself within a comparatively short period of time to the new laws.

Creditmen have been taught and might I go so far as to say disciplined that credit is based upon three fundamentals; namely, character, capacity and capital. From the late '90's to the time of the depression this yardstick of credit granting has tied in very nicely with the distribution of economic goods in both countries.

Have you stopped to realize what problems confront a manufacturer or distributor today in the distribution of his product? Since 1932 the Robinson-Patman Act has been enacted; a law which will certainly affect distribution and credit policies as time goes on. The Tydings-Miller Act, the unfair practice acts and fair trade acts of the several states are in effect and on top of all this we have the various state income taxes and a variety of sales taxes and last but by no means least the foreign corporation laws and taxes regulating the corporation's activities within a certain state and, in my opinion, circumventing the inter-state commerce law.

Notwithstanding all of these man-made laws, we have the problem of unrestrained competition and inventory speculation. In all lines of industry manufacturers have courageously faced this situation by producing new products and improving old ones, all of which has been brought out after careful study and research. Yet when it comes to the distribution credit is extended beyond the proper bounds and price structures fail.

History repeated itself in 1937 and 1939 with inventory speculation soaring to unhealthy levels. I predict that these conditions will plague our distribution system and adversely affect our credit policies just as long as many of these new laws and particularly those of the Federal Trade Commission make it impossible for each industry to solve these problems.

I now want to discuss with you some of the laws which many of us have not realized are indirectly affecting our distribution policies and consequently our credit procedure and technique.

Corporation Tax Problems

Take your own line of business, machinery and supplies. It is a foregone conclusion that at least a good percentage of our companies must of necessity maintain merchandise at strategic points throughout the country. Immediately you are confronted with the foreign corporation tax problem as well as the various state and municipal property and sales taxes. What has this done to distribution? It has simply meant this; that instead of selling a great many customers in a given locality you are now confining your business to fewer outlets probably selling your product outright in order that you may continue doing business in inter-state commerce.

As credit executives we have been taught to diversify our risks; in other words it is much better to extend credit in the total amount of $10,000 to ten accounts rather than to extend the same amount to only one customer.

It simply means that today a greater care in the selection of the credit risk must be exercised. It means that you will be compelled of necessity to extend a much larger amount of credit to the individual account.

A few years ago if you purchased your automobile on time payments you never mentioned it across the bridge table and you didn't tell your best friend. There was a stigma to it, but not so today. The automobile industry has taught America to buy today and pay tomorrow. Installment selling knows no bounds; electric refrigerators, furniture, and, yes, machinery is now being sold in this manner. I suppose it won't be long before Mr. Ryan will have to set up a credit system for a subsidiary company when individuals begin to buy airplanes in large numbers.

Pledging of Accounts

What has this new trend in distribution brought about? It has shown business men how to borrow on an asset which up to a very few years ago was never pledged or hypothecated. I speak now of the pledging of accounts receivable. In less than a decade the banking fraternity, who used to consider such a practice the last step before bankruptcy on the part of a customer, is now tapping this reserve to its very limit as security for collateral loans. A few days ago our local newspaper carried a quarter page advertisement of one of our largest banking institutions in Rhode Island. This advertisement explained the ABC's of borrowing on your accounts receivable.

I happen to know a bank official whose institution began several years ago to experiment with this type of loan. Today it is one of the most profitable ends of the bank's business. There is one redeeming feature of the banks getting into this field; they have brought the cost down materially and many of the abuses which the smaller or individual finance companies were guilty of have been checked.

What effect has this on your credit policy? Simply this; one of the best assets upon which you have based the line of credit in the past has been tapped and the most liquid portion of it pledged and in the event of liquidation is not available for the retirement of unsecured creditor claims. Our Association has been giving a great deal of attention to this development. Sooner or later unsecured creditors must have some way of knowing when receivables are hypothecated. We have no right to say to our credit risk that he cannot follow this practice if he wishes, but I say we have a perfect right to know when he is resorting to this practice. I cannot recommend too strongly that in granting your credit you check this point carefully and treat each individual account upon its own merits.

The Installment Problem

I happen to know that in the jobbing end of the machinery business installment selling has developed to substantial proportions. You who are in the manufacturing end of the business should check your jobber or distributor's policy. The degree of control that is exercised and particularly the length of time that installment contracts are to run are of paramount significance.

I now want to take up with you another development in the present day methods of distribution which will have a further vital effect on your credit policy. I now speak of field warehousing or the hypothecation of merchandise inventory. In the vernacular, business has only recently discovered that funds for trading operations may be provided by using the merchandise inventory as collateral. As long as the particular commodity or article can be identified and evaluated we now have the machinery and complete set-up to carry out this method of financing. The machinery and supply business is one which lends itself very readily, in my opinion, to this type of practice. I am not sufficiently acquainted with your industry to know just how far it has taken hold, but I make this prediction that if this practice has not already begun to assert itself, you are going to be compelled to deal with it very shortly. As in the case of pledged receivables, we credit executives not only must determine if the receivables are free of any encumbrances but also if the merchandise inventory is unpledged.

As I have already stated the present-day political philosophy basically has the social level of the individual for a background and out of this has arisen, since the NRA, the Robinson-Patman Act and the many fair trade laws of the several states. As I see it, the Robinson-Patman Act has not been universally applied and the administrators of this law appear to have preferred to take one industry at a time and apply its provisions as the circumstances warrant.

What of Cash Discounts?

Your policy as it relates to trade and cash discounts in your own company deserves a careful and critical study. I will not attempt to go into the abuses and their correction because another speaker is scheduled to cover this subject, but I do make this prediction that if the Robinson-Patman Act and some of the state fair trade laws are universally applied and enforced, cash discount may ultimately be abolished. I do not want to go on record as making this a definite prediction, but in a number of lines of industry its abolition is a fact.

The machinery business is either a prince or a pauper. When it is good, profits invariably are above the average and when it is bad, well, we just don't talk about it. The prevailing tendencies toward inventory speculation and unrestrained competition, along with the laws which you have to deal with today, mean that the peaks and the valleys on the chart are going to be much larger, and in order to keep a balance production and a healthy clear picture, your technique and initiative will be taxed to the limit.

In discussing the distribution and credit policies, as I see them today, I offer no panaceas for your consideration in passing through a period of transition when these many new laws affecting distribution and credit will have to be interpreted and applied. I believe we, as credit executives, can do a great deal to strengthen our distribution and credit system by applying the brakes to inventory speculation. You have it in your power to limit the amount of credit that is to be extended in each individual case. You likewise can inquire if receivables are hypothecated and if merchandise inventory is being pledged. Over a period of time it is within your reach to become familiar with many of the new laws which I have mentioned, but finally may I remind you that the credit structure is still based upon the three well known fundamentals; namely, character, capacity and capital. What better purpose could credit men attain than to apply these principles.

"Straight Line" Speed in Credits

Simplified Records Hasten Shipment of Orders

By Harry Wilkinson, Credit Manager, John B. Stetson Company, Philadelphia

One of the greatest American contributions to technical efficiency has been straight line production in industry. We have tried to apply this principle to our credit work. The raw material, in this case, is the customer's order. It should go into production with the least possible delay. As we see it, we have the twin job of speeding the order through and protecting our company's interests.

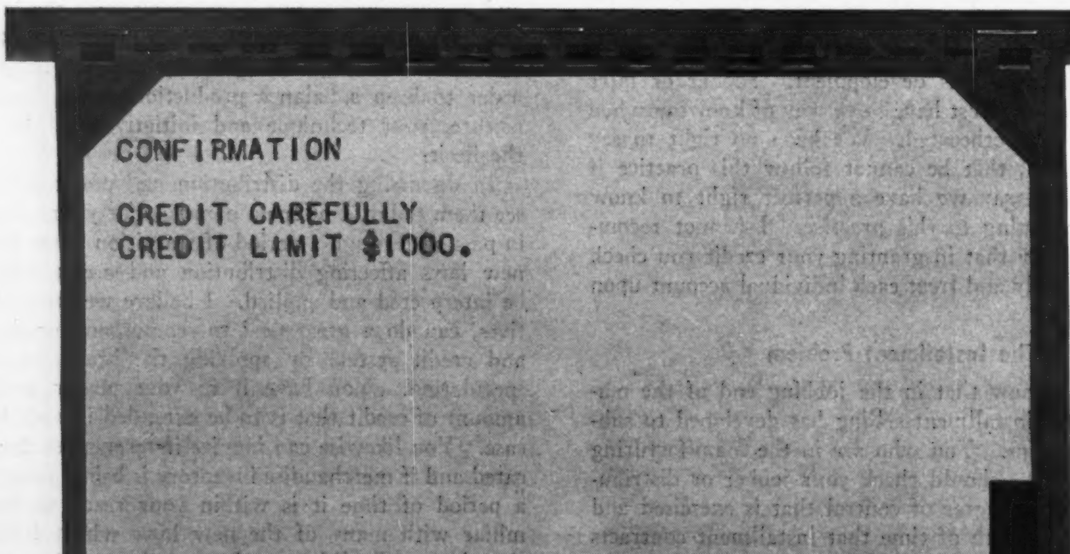
Speed implies simplicity. So we have reduced our credit operations to what we regard as the essential minimum. Our first step is to sort all incoming orders. Secondly, we check these for credit rating. The third procedure is to check against our credit file.

This file contains the names of those accounts on which we have a credit record. It is not filled with the names of thousands of accounts which have discounted their bills for years and present no credit problem. While many companies maintain elaborate credit records of all their accounts, we feel that this is a needless formality. It becomes, in fact, a sort of bookkeeping, with regular entries of "ordered, shipped, paid." Even a card file of this sort can become, over a period of years, bulky. It requires a regular amount of clerical effort and, in the end, only indicates that a reliable account is still reliable.

Our credit record file is reserved for accounts that present some non-routine element. This may be a definite credit limit, a prepayment restriction, the requirement of confirmation or some other factor.

Some years ago, in re-planning our offices, we investigated all available types of visible files for our work. We decided upon a wheel type file. At the time, our consulting engineers estimated that it would require one and a half clerks to operate our file. In actual practice, the work takes up half the time of one employee. Although it contains more than 2,000 accounts, our Credit File occupies only an otherwise unused corner of our office.

The illustration shows a sample of the record card we use. A simple system of flags gives us additional information. A green flag, for instance, indicates that confirmation is necessary, another color warns us to watch the limit. Each card fits into a slot and, when special conditions arise, such as the necessity for prepayment, a very visible note is inserted in this slot. Red is the danger signal. Overdue accounts are placed on a red card. We keep our signals few in number and very definite in color. No one can mistake the meaning of any signal in our files.



Sample of "Wheel" Card Used by Stetson

Wherever the U. S. A. language is spoken, Stetson means hat. To some of us, the name Stetson brings back memories of Frederick Remington's drawings of the Old West and our firm ambitions to become cowboys or Texas Rangers.
Today, Stetson also means hat *style*.
A few summers ago, the straw hat business was pronounced dead. Stetson applied style to straw hats. New materials were used. Innovations were made in hat bands. Comfort was increased. The past summer saw a phenomenal increase in the wearing of straw hats. The 1941 outlook is even brighter. It is generally acknowledged that Stetson was one of the big factors in the comeback of straws.
Readers of *Credit and Financial Management* will be most interested in the methods described in the accompanying article. They may, however, like to add to their "facts we don't believe" file the knowledge that, in *men's* hats, one of the least important sales appeals is *style!*

If our credit wheel shows no record against an account and the rating is satisfactory, the order is ok'd and goes through into production with no time lost.

When an account appears on our wheel, the record is noted on the back of the order and this goes to the Bookkeeping Department for a check on the present condition of the account. Then the Credit Department decides, on the basis of rating, paying experience, the present amount owing, if any, and the financial information on our file, what disposition to make of the order. We keep complete up-to-date financial information on every account appearing on the credit wheel. In recent years vast improvements have been made in credit reporting, which assist us in keeping credit files current.

The Accounts Receivable clerks notify us of overdue items and we immediately flag the account on our wheel and notify the Shipping Department to refer any orders that may be going through to the Credit Office for final OK before shipping. Through this system the only orders which are delayed by a credit check-up are those from accounts, orders for which we feel it necessary to hold for more complete information or pending the liquidation of present indebtedness. These accounts are reviewed regularly.

Our collection and credit departments are separated physically and, if I may say so, "spiritually." Our manager of collections bases his activities on reports given him by the Bookkeeping Department, which adjoins his office. Using the ledger figures as a basis, he institutes what collection efforts he thinks appropriate. While our collection letters inevitably follow a certain pattern, we do not make much use of what are commonly called "form" letters. The type of letter sent varies with the individual case and the past record of the account. Ordinarily, we find that courteous requests and reminders are sufficient. Sometimes it becomes necessary to get tough. I am not brought into the collection picture unless an account becomes a "problem child." In this case, the matter is referred to me to take what action I think appropriate.

In our experience, collections are a minor problem. We have very little need of recourse to legal proceedings and are fairly free from the necessity of exerting undue pressure on accounts.

One reason why our collections headaches are few is our care in accepting new accounts. We consider the Stetson franchise a valuable asset to a dealer. We pride ourselves on the high quality of dealers handling Stetson hats. We want them to be business leaders in their communities — or potential leaders. Moreover, we want dealers to *sell* Stetson hats and to pay for their merchandise promptly.

Every Stetson salesman knows that we require an up-to-date financial statement and a set of current operating figures, when we open an account. We will not ship an order for a poorly rated account without a financial statement. Our salesmen make a point of this, in soliciting a new account. This is one reason why we have no difficulty in securing financial statements. The account expects a request for this information from us. He knows that, until we receive his statement, his order will not go through. We encounter very few who are unwilling to meet this requirement.

Occasionally, we do meet resistance. There are a few retailers who are rock-ribbed individualists and refuse to concede to the demands of modern business. Every credit executive has met the honest, reasonably sound, retailer who has "been in business 50 years and never furnished a financial statement yet." We handle these rare instances, as you do, by getting all the available information we can and by using our best judgment.

The majority of accounts which object to furnishing a financial statement are amenable to reason. When we write and tell such accounts why this policy is sound and why it is extremely important that they establish their credit on a firm basis with their principal suppliers and tell them that our policy is based on experience extending over the past 75 years successful operations, practically all of the accounts see the soundness of our reasoning and comply with our suggestion.

In some instances, retailers object to furnishing a current financial statement and operating figures because they are not quite sure how to make these up from the records they keep.

Even today, there are thousands of retailers with wholly inadequate record keeping systems. I presume that such retailers use an (*Continued on page* 30)

Streamlining Record Keeping

Check-up Frequently on Useless Reports and Forms

By J. S. Seidman, C. P. A., New York City

Almost every business is guilty of using forms or assembling details or preparing reports that do not serve a real or vital purpose. Many also stand convicted of going through a lot of double and triple tracking in bookkeeping work because of a tremendous amount of unnecessary and continuous re-writing of the same information from one record to another. The adoption of simple short-cuts will mow down this great waste of time and effort—and streamline the cost of record-keeping.

Take the matter of useless forms and reports. Generally, they are an inheritance from special situations or some temporary need. The need may be over, but the form lingers on. An interesting test to apply to all "paper work", is to quietly eliminate a form or report from time to time, and see what happens. It should not be restored until someone yells for it and justifies the shouting. Like as not, it never will be missed. A large railroad company tried this out, and to its dismay and delight effected a wholesale elimination of forms and reports. So, also, an industrial company found that it could reduce elaborate reports to just a few key figures that its executives were really looking at.

Time and Energy Wasters

However, it is arch conspirator No. 2, the re-writing nuisance, that is the prolific time and energy waster. The loss is not only in the re-writing, but, also, in the need for checking back each re-writing, since the possibility of error is otherwise ever present. Suppose, for example, a purchase is made and the bill is paid. These are perfectly simple transactions, but note the bookkeeping vagaries ordinarily involved. The bill is first recorded in a purchase book. It is then classified by product. It is then "posted" to the account of the vendor. On payment, a check is made. The payment is then recorded in the cash payment book. It is then posted to balance the account of the vendor.

In other words, we have here six distinct and separate writings of the basic fact of purchase and payment, and six possibilities for error. Yet, those alert to the problem have found the answer in the preparation of a single document—a combination check and voucher—in number of copies sufficient to serve all six purposes with the one stroke.

There is no limit to the extension of the principle involved. Take cash records. The popular practice, when a check is made, is to record the detail on the check stub. The same is done with deposits. The cash book showing all receipts and payments is then written up from the check stub. This entails a double writing of the same story. Is the duplication avoidable? Easily. Some companies do away with the cash book by an extension and columnarization of the check stub. Others do away with both the check stub and the cash book. This they do by preparing checks and deposit slips in duplicate. The duplicates are then so used as to serve the same purpose as the records supplanted.

Short Cuts in Records

Sales and accounts receivable records hold out real possibilities. In this field it ordinarily takes a quadruple play to retire the side. The play goes from sales bill to sales summary and classification, to customers ledger account, to customers end-of-the-month statement. Each time the base is tagged, there is a separate writing. Here, too, the mopping up process can be accomplished by making enough copies of the sales invoice so as to respectively serve for the four records without any further writing or ado. Actually, it can go way beyond these four records. Extra copies of bills can be used as shipping documents, as production and collection records, and for all sorts of analyses regarding salesmen's activities and compensation.

In this connection, using an extra copy of the invoice as the customers ledger account has been considered awkward where customers make part payments. But that myth is successfully exploded by providing a few simple rulings on the copy to permit of convenient recording of part payments.

Statements to customers at the end of the month has been the bane of the bookkeeper's existence. They consume an ungodly amount of time just when everything else is at the peak load. There are many ways of killing this cat. To begin with, statements need not—in fact, ought not—be sent every customer. Only those who want statements or who are not prompt payers, should get them. That wrinkle cut down the number of statements for one company by 80 per cent. Using duplicate copies of invoices as the statement of charges for the month avoids re-writing, produces automatic accuracy between the statement and the bill, and makes all quiet on the end-of-the-month front.

Another end-of-the-month aggravator is the bank statement. Banks send depositors a statement of their account every month. Reconciling the bank statement and the company's books, is no small job. One way out,

is to get the statements at regular intervals during the month. The work will thus be smoothened out, while differences will be spotted more quickly. Or, if there are several bank accounts, the problem of the peak load can be overcome by staggering the monthly statements so that they come in from the different banks at different times of the month.

Payrolls have become a serious bookkeeping headache, particularly since all sorts of payroll information must be filed with government departments. Elaborate payroll records for individual employees are the order of the day. However, companies that pay their help by check have an excellent record-saving opportunity. Individual employee records can be dispensed with entirely. Instead, a duplicate copy of the check can take the honors. By filing the duplicate in envelopes kept for each employee and running off adding machine tapes when desired, the needed information, for whatever purpose, is obtainable.

Then there is a book called the journal, where each month entries are made for depreciation, bad debts, apportionment of expenses, inventories, etc., etc. Though these are monthly repetitive entries, differing only in amount, the usual thing is to write them out in full each time. A simple rearrangement of the form of the journal makes this unnecessary. By providing columns for each month, the basic entry need be written but once and only the figures recorded each month in the proper column.

More from Ledgers

The possibility of doing away with ledgers altogether has already been touched upon. Where they are maintained, they can be made to do much more work than is ordinarily true of them. For example, if a customer owes money both on open account and on note, the two are ordinarily kept in separate accounts and in different books. To find out what a customer owes in total, it is necessary to go to both sources. Inefficient and uncalled for! The whole story can be kept at one place, merely by providing columns in the ledger for open account and for notes. The same can be done to keep tabs on such items as consignments or memorandum shipments, or charges to customers for returnable containers.

If it is true that time is money, then there is much to be saved by speeding up the preparation of financial reports for the executives. It is surprising to see how many companies are thrown for a loss of days or weeks in this respect by overlooking almost obvious short-cuts. For example, by simply arranging the accounts in the general ledger in the same order as they appear on the financial statement, the drawing-off of the statement itself is considerably simplified. Also, normally, statements give comparative figures of the previous month or the previous year. That usually means copying figures from the previous statement on to the current one. However, a "pegboard" arrangement whereby the previous statements are aligned with the current ones will give the comparative figures with no re-writing at all.

Only a few of the highspots have been touched, and then in very summary fashion. There is no end to the streamlining of record-keeping if we only put our minds to it. Inventorying and housecleaning of the bookkeeping and accounting work should be attended to at least once a year, just as is done with merchandising. The results will be astonishing.

Statistical Survey of Balance Sheets

(*Cont'd from P. 11*) a proper conduct of the business.

2. *Liquid Assets to Current Liabilities*

The ratio of 1.28 to 1.00 implies that there is $1.28 available with which to pay every dollar of current indebtedness during a period of 66 days. This may be considered a good ratio.

3. *Net Worth to Current Liabilities*

This reflects the ratio of the investment in the business to the amount currently owing to creditors. The ratio of 1.29 to 1.00 reflects that the owners have $1.29 invested in their business for every dollar owing to creditors. This is not a good ratio and reveals a heavy dependence upon supplier's credit.

4. *Working Capital to Inventory*

Indicates the percentage which the total merchandise inventory bears to the working capital. The ratio of 1.34 to 1.00 reflects an unduly large percentage of working capital invested in the merchandise inventory. In other words, of each $1.34 of working capital there is $1.00 invested in merchandise. This places too heavy a burden on the receivables and cash for the retirement of current indebtedness. It also indicates that the business is doing too large a volume for its working capital. Under such circumstances limitless creditor cooperation is necessary to effect a rapid turnover of merchandise resulting in good net profits.

5. *Inventory Turnover (Based on Net Sales)*

The turnover of 7.51 times is an indication of either a highly liquid inventory or the exclusion from the balance sheet of merchandise which had been delivered for the following season.

6. *Receivables to Net Sales*

A turnover of 5.54 times would indicate a fairly good collection experience based on Net 60 terms. However, the average collection period of 66 days reveals some slow paying accounts or excessive terms granted. Too low a turnover reflects too many slow paying accounts while too high a turnover might mean that receivables are being discounted through the medium of some outside financing arrangement such as factors, accounts receivable discount companies, or banks.

7. *Turnover of Working Capital (Working Capital to Net Sales)*

This shows the degree of business efficiency attained by an individual concern. The turnover of 5.60 is the group average of the experience of 108 firms showing a net profit during 1939.

An excessive turnover generally shows speculative tendencies or insufficient capital to transact the volume of sales.

A below average turnover reflects an inability to put the working capital to profitable use.

Does "F.O.B." Mean "Favor of Buyer"?

How the Credit Executive Figures in Freight Problems

By Ernest Rusch, New York City

The average person receives his first impression of the term "F.O.B." through the power of American advertising. He knows that the cost of an automobile "F.O.B. Detroit, Mich." does not include the freight charges to his city. He accordingly deducts that if the cost had been "F.O.B. Destination" it would include the transportation charges.

The average business man receives his first impression of the term "F.O.B." from the printed designation on most corporate invoice forms. If he reads "F.O.B. Factory" he knows his company is not paying the transportation charges, and if the invoice reads "F.O.B. Destination" he realizes the freight charges are included in the invoice price.

Such a mediocre knowledge of an "F.O.B." sale has no serious consequences, provided the business man directly dealing with sales, credit and transportation has a more thorough understanding of "F.O.B." structures as it relates to the sale and consumer practice. Beyond even a thorough understanding of such structures there is an imperative and essential need to repress a consistent agitation, on the part of the buyer, to destroy the economic characteristics of "F.O.B." terms.

Obviously, before correction and necessary restraint can be instituted an analysis of the elementary parts of the "F.O.B." term must be first undertaken.

What Does Term Mean?

Under most glossaries of business terms "F.O.B." is defined as "free on board—train or vessel." The readers deduction as to the difference between "F.O.B. Factory" and "F.O.B. Destination" is the same as that of the average person cited above. The use of the dictionary meaning is far too vague for actual consideration.

A number of years ago various civic and business associations adopted, at a conference, recommendations in the hope of effecting a standardization and common knowledge of the "F.O.B." structure. Although the adoption was specifically in relation to American foreign trade a few of their recommendations may, to a certain point, be accepted as the most feasible definitions of domestic "F.O.B." structures.

Their recommendations where it concerns purely domestic movement, combined with important features of further study follows:

F.O.B. Factory—also known as F.O.B. Origin Point, or named point—decrees that the manufacturer or seller enters into a contract with a buyer to:

a) load goods on or in cars, trucks or lighters
b) secure the proper billing from agent of transportation company handling movement
c) be responsible for merchandise until proper and clean billing is received from Agent of transportation company

The buyer's contract is to:

a) pay transportation charges, all inclusive
b) be responsible for loss and/or damage after shipper or manufacturer receives clean billing
c) handle subsequent movement of merchandise

Under the above contract title to goods passes from seller to buyer at point of origin.

F.O.B. Destination—also known as F.O.B. Customer or F.O.B. Named point—decrees that the manufacturer or seller enters into a contract with a buyer to:

a) load goods on or in cars, trucks or lighters
b) secure proper billing from agent of transportation company handling movement
c) pay transportation charges to point of destination
d) be responsible for loss and/or damage to destination point

The buyer's contract is to:

a) unload goods from car (rail movement)
b) be responsible for demurrage and storage charges on car shipped

Under the above contract title to goods passes from seller to buyer at destination point.

F.O.B. Destination; Freight Allowed—decrees that the manufacturer or seller enters into a contract with a buyer to:

a) load goods on or in cars, trucks or lighters
b) secure proper bill from agent of transportation company handling movement

The buyer's contract is to:

a) unload goods from car (rail movement)
b) be responsible for demurrage and storage charges
c) pay all transportation charges (buyer is then entitled to deduct from invoice amount of freight paid from origin to destination point).

Wide Variation in Meaning

Although the above are the most common and widely used forms of the terms "F.O.B." it must be acknowledged that variations are extensively employed, leading, in some cases, to a breakdown in a structure, protective, in function, to the manufacturer. Too, definitions as cited above are merely brief explanations that scratch

the surface. Their importance is better measured by an analogy with existing conditions. For example "F.O.B. Origin" is an invoice feature prevalent in many corporations. It is either employed as a definite policy with no variations, or it is a policy adopted for a certain type of sale. The benefit of such a policy, if employed without variation, is the elimination of the transportation outlay, and no responsibility is incurred for claims, plus the knowledge that the selling price does not include an additional cost. The policy permitting a variation of this particular "F.O.B." structure either applies to a minimum sale or specific consumer. The danger of this variation is the inability to conform to the policy as originally intended. For instance it may be decided that merchandise bought below a certain quantity must be sold in accordance with the terms of an "F.O.B. Origin" policy. Many buyers, or customers, knowing these terms are inclined to press the salesman for a deviation in the "F.O.B." structure under the guise of future business, and extended good will. The result, *in far too many cases,* is not a refusal, and the customer contrary to policy, receives his merchandise F.O.B. Destination at an F.O.B. Factory price. Competitive conditions dictate the change in the salesman's attitude, and he sets a precedent the buyer will not, by any means, forget. An F.O.B. Factory policy will not have been set up, by the manufacturer, in the first place, if it was not necessary in order that a reasonable profit be realized.

Seller Must Protect Himself

Even more important than the actual break-down in the F.O.B. Factory policy as agitated by the buyer, is the failure, on the part of the seller, to fully protect himself under such terms of sale. Many times a manufacturer will sell to a particular customer "F.O.B. Factory" and in turn volunteer to act as a distributing agent for the buyer. Under such a term, title of the goods sold, passes to the buyer as cited in our "F.O.B. Factory" definition. Liability for distributing the merchandise rests with the buyer, not the manufacturer, but, and this is often the case, the manufacturer, as distributing agent, promises the buyer not to disclose his identity, and by so doing, ***unless the manufacturer's contract with the buyer specifically stipulates to the contrary,*** he, the manufacturer, renders himself liable to the third party or parties, re-

gardless of the fact that the third party knows the manufacturer is acting as an agent. Manufacturer after manufacturer, seller after seller, has found himself placed in such a position due to a laxity in effecting sound "F.O.B." terms. Who is responsible? Sales? Traffic? Credit? The proper answer depends, of course, on the individual corporation and the part each division plays in determining policy and terms. On the other hand succeeding paragraphs will definitely point out that the Credit Division of most corporations has to assume greater and more important responsibility in order to restrict buyers in their zealous desire to take advantage of a weakening "F.O.B." structure.

"F.O.B. Destination!" That is the term, the economic structure, by which the majority of corporations guide their business. By the same token that is the structure various buyers are steadily agitating to the goal of confusion.

What Constitutes Destination?

Of first importance is the consideration of what constitutes "destination" under such an "F.O.B." sale. The advent of motor carriers into the transportation field has decided that "destination" shall constitute store door delivery. Present day deliveries of less than carload freight by rail carriers also predict destination as store door delivery. Buyers and manufacturers now accept this form of "destination" delivery so matter of factly that invoices and terms of sales, change from "F.O.B. Destination" to "F.O.B. Door." There is no doubting, or least there shouldn't be, of the advantage and convenience to the buyer of such a form of delivery. The important point is that the convenience has spoiled the buyer and he looks to see where he may take further advantage of a recent changed "F.O.B. Destination" policy. He is no longer satisfied with "Door" delivery, he wishes the goods placed inside his supply department, or on the floor above. His only obstacle to such convenience is the tariff rules and regulations of the carriers, that prohibit them from making anything but a door delivery, said door to be on the level of the street, or easily accessible platform. Such prohibition applies specifically on the on the regular transportation charge, but an additional charge, in most cases, will permit the carrier to deliver to the supply department, or a floor above. Some buyers, ever alert to something for nothing, know that the manufacturer can mark his shipping document to read: "Inside Delivery Requested" and be billed, along with the regular transportation charges the additional "inside" charges. Pressure is put on the salesman, orders are sent in marked with the notation, and the buyer has succeeded, by another step, in twisting the "F.O.B. Destination" policy to suit his convenience, and enable him to save on his own labor charges. Unquestionably, this procedure has to be stopped, and the manufacturer has to determine a definite policy of selling "F.O.B. Destination." The most logical division to carry out such a policy is the Credit Department! Simply by tracing an order from its origin will prove the logic of Credit Department leadership. When the salesman makes up an order he is subject to the "whims" and "wishes" of his customers, and in the face of a sale (plus future sales) he gives in, especially if he can justify his weakness to competitive conditions. He sends in his order to the sales or billing department and the customer's "whims" and "wishes" are generally recorded on the company invoice. Into the Credit Department goes the order and customer "X" is put to the inquisition.

Traffic Department Overruled

Finally the traffic department receives the order for shipment. Although this department may take exception to "special requests" of the customer, their position to dictate what type of delivery the customer may have is *usually* overruled by the Sales Department. When the order was put to the "inquisition" by the Credit Department *why* didn't that department question the change in the "F.O.B. Destination" policy to "F.O.B. Inside Supply Department?" Certainly it is the function of the Credit Department to determine the validity of the terms of the sale. An excuse that such a matter is a sales or traffic function is poor. The Sales point has been explained, and the traffic department is not in a position to refuse a customer's request already granted by the Sales Department. Co-ordination and discussion on the part of the Credit man with the traffic man, while putting the order through examination, would enable him to handle the order in the proper manner. Should, for example, an "F.O.B. Inside Supply Department" structure take a firmer foothold, the additional cost, to the manufacturer, may be approximately figured as 10¢ per one hundred pounds. Based on thousands of pounds of merchandise shipped annualy, the additional cost is enough to put a terrific dent in those profits the Credit Man is so ea nestly guarding!

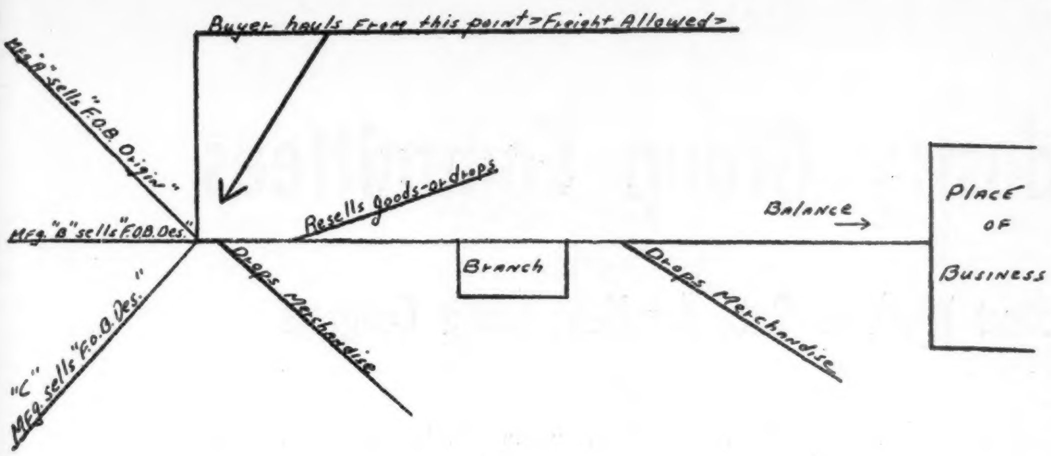
The carload buyer without the private siding is the one demanding strict attention from the credit viewpoint, and from the point of view of the stretch in the "F.O.B. Destination" term. For illustration, many a credit man has received a memo from the Sales Department to this effect:

> "Carload Invoice of 3/—/39.
> Kindly credit Jones Account for customer hauling on above order as follows:
> Transportation—$50.00

Immediately, the credit man confronts the traffic man as to the basis of the above credit. The traffic man advises him that the request for credit covers a carload of goods shipped to a public track, in lieu of no private siding, and credit supposedly covers the haul from the track to door of customer. The traffic man refuses to have anything to do with the credit explaining that as far as he is concerned merchandise was sold "F.O.B. Destination" and delivery was accomplished the only way possible (there was no applicable truck routing).

Back the Credit Manager marches to the Sales Department and demands an explanation. "The transportation allowance is necessary to get the business. Competitive conditions forced the move," cries the Sales Manager. When the credit man puts through the credit, out the window goes "F.O.B. Destination" to "F.O.B. Door" with a gratuitous allowance. F.O.B. Destination, hell! It doesn't pay to have a private siding! Not one, but all Credit men should adopt an attitude of sternness (and bravery) in order to stop the abuses that never seem to fail.

In the above analysis the important point was the out of line credit amount, but since there is no governmental



regulations regarding such a movement the customer took occasion to stretch the amount involved, with the Sales Department offering little resistance.

Rather than commit a study of "customer hauling" to lengthy explanation the use of the diagram at the top of page 25 should produce a clarified picture of present day practices. On the surface it would appear that the F.O.B. Destination seller, by granting such an allowance or credit, is paying no additional transportation charges, but a more intimate review will reveal definite practices to the seller's disadvantage.

It will be noted from the foregoing diagram that merchandise is sold by the buyer prior to reaching his city. In other words merchandise bought "F.O.B. Destination" by the buyer is resold "F.O.B. Destination" before reaching the buyer's place of business. The seller, by the issuance of credit for freight hauling, pays the buyer's transportation costs to *his* customers, and permits merchandise bought from another manufacturer under an "F.O.B. Origin" terms to move in the same manner without cost to the buyer. Undoubtedly, there is fresh in the minds of many credit men situations whereby buyers have permitted merchandise to lay on docks, accumulating storage, before sending their trucks to complete the "customer hauling" term of invoice. Often these buyers have proclaimed, as their excuse, the fact that merchandise was bought "F.O.B. Destination" regardless of *their* stipulation to haul from the intermediate point. It is obvious that the proper moment for the buyer to haul the merchandise *must* arrive!

Another instance of "abuse" is the opposition of various buyers to changes in transportation methods that would be beneficial to the manufacturer, but harmful to their private system of hauling merchandise. Recently, there has been a proposal under consideration that would permit carriers to act as agents, at break bulk points. The carrier's capacity, under this proposition, would be the reforwarding, for the shipper, of split deliveries. Such a proposition (not now permitted) would be very beneficial to a certain type of manufacturer, but it is worthy to note that among those opposing such a change were wholesalers and jobbers (buyers). Their system of "hauling" would be jeopardized!

As our diagram pointed out the buyer is, at times, in a position to sell the manufacturer's products at a low cost, at the manufacturer's expense. As a matter of fact their saving, under the customer hauling privilege may lose some of the attractiveness of the usual cash discount. Such a possibility is surely food for thought.

From the above summary, and preceding explanations, there can be no doubt as to the imperative need for a reconstruction in the "F.O.B." policy. The abuse and agitation now being made of these policies must be curbed, yet the process of restraint is not one that cannot be accomplished in short time. The course of reconstruction must be gradual, and the bulk of responsibility must be assumed by the Credit Man. It is, after all, mainly a question of "profits" that rightfully belong to the manufacturer. By no means can Credit men isolate themselves, they must intervene, sometimes harshly, in the affairs of the Sales Division. The Credit man's status, in the majority of corporations, is that of "guardian of profits" and in that position much can be done to change the term "*F*avor of *B*uyer" to its rightful meaning.

In line with such an assumption of responsibility it may be well to observe the following suggestions:—

1) Insist that proper "F.O.B." designations be shown on orders when passed to the Credit Department for approval
2) Insist that any deviation from an established "F.O.B." policy be shown on all orders passed through the Credit Department
3) All customer hauling allowances and credits should receive the approval of the Credit Department
4) Establishment of conferences, at regular intervals, with Sales & Traffic men, pertaining to practices relative to "F.O.B." practices.
5) A pledge, by the Credit Man, to do all in his power to eliminate the abuse of an "F.O.B." policy.

While the above suggestions are left with the Credit Man it is in order to state that the foregoing is not a reflection (naturally) on buyers, as a whole, for they, undoubtedly, can appreciate the importance of a reconstructed "F.O.B." policy.

See Back Cover This Issue

Industry Group Committees

Start Work at Once for Next Credit Congress

Plans which culminated at the Industry Meetings in Toronto, Canada, in May have resulted in the perfection of a program and future plan in which many credit executives have for some time been interested. These plans assure permanency of organization and activity within each Industry throughout the year.

A continuing annual Committee was selected by each Industry. Thus every credit executive regardless of his line will have a two-fold contact through the medium of the Association. On credit matters of a general interest, he will have his contact with his Local and National Association organizations. On matters relating specifically to his Industry, he will have available a contact through the Committee of his Industry. Each member will have two mediums of assistance in the Association: The first as an individual organization; the second with others in his Industry.

Below is a list of all Industry Committees organized to date. Some few Industries are not listed but their Committee organizations will be completed in the future and well in advance of the next meetings at New Orleans in May, 1941.

If you have any problems on which you would like help or information or if there are particular phases of your work which require the consideration of your Industry, communicate your thoughts to the Chairman of your Industry Committee for attention. You will find your Committee ready and anxious to do any service which promises improved handling of credits.

As an evidence of the better results which will accrue from this new type of Industry organization hereafter, you will be interested in knowing that in several instances the incoming Chairmen have their programs for the New Orleans Meeting practically complete even now.

You will do your Industry Committee a favor by giving them your thoughts and suggestions. Much of the success of the Industry Meeting depends upon a good attendance, and here, too, you can help your Committee by promoting attendance at the New Orleans Credit Congress.

ADVERTISING MEDIA

Chairman—George O. Gill, World Herald, Omaha, Nebr.

Vice-Chairmen—W. C. Burson, Pittsburgh Post-Gazette, Pittsburgh, Pa.; C. O. Denning, Los Angeles, Cal.; T. F. McFarland, The Journal Co., Milwaukee, Wis.

Treasurer—W. A. Lightbody, Chicago Tribune, Chicago, Ill.

AUTOMOTIVE & PETROLEUM SUPPLY WHOLESALERS

Chairman—O. G. H. Rasch, Interstate Electric Co., New Orleans, La.

Co-Chairmen—M. A. Frost, Minneapolis Iron Store, Minneapolis, Minn.; G. G. Merritt, Goodyear Tire & Rubber Co., Ltd., New Toronto, Ont.

BANKERS & FINANCE

Chairman—G. P. Duggan, Continental Illinois National Bank and Trust Co., Chicago, Ill.

Vice-Chairman—T. F. Regan, National Bank of Commerce, New Orleans, La.

Committee—G. J. Rothweiler, Mississippi Valley Trust Co., St. Louis, Mo.; R. W. Watson, Bank of America, Los Angeles, Cal.; R. D. Withington, Philadelphia National Bank, Philadelphia, Pa.

BREWERS, DISTILLERS AND WHOLESALE LIQUOR

Chairman—W. B. Talbot, Frankfort Distilleries, Inc., Louisville, Ky.

Vice-Chairman—R. P. Harrell, Quality Brands, Inc., Los Angeles, Cal.

BUILDING MATERIAL & CONSTRUCTION

Committee will be announced later.

CEMENT

Secretary—E. Balestier, Jr., One Park Ave., New York, N. Y.

CLOTHING, MEN'S FURNISHINGS, DRY GOODS, LADIES' WEAR & MILLINERY

Chairman—J. L. Schoenenberger, Beau Brummell Ties, Inc., Cincinnati, Ohio.

Vice-Chairmen—H. E. Engstrom, G. Sommers & Co., St. Paul, Minn.; W. C. Hussey, Levy Bros. & Adler Rochester, Inc., Rochester, N. Y.

CONFECTIONERY MANUFACTURING

Chairman—Miss Irene Austin, Thinshell Products, Division of Consolidated Biscuit Co., Chicago, Ill.

Vice-Chairmen—E. T. C. Burke, George Weston, Ltd., Toronto, Ont.; A. H. Mader, American Chicle Co., Long Island City, N. Y.

Committee—L. S. Day, W. F. Schrafft & Sons Corp., Boston, Mass.; Miss Frances E. Sauer, Peerless Confection Co., Chicago, Ill.; Miss Idelle McDaniel, American Chicle Co., San Francisco, Cal.

DRUG & CHEMICAL

Chairman—J. W. Roberts, Vick Chemical Co., Wilmington, Del.

Vice-Chairmen—E. J. Holmann, Parke, Davis & Co., New Orleans, La.; H. P. Jay, Canadian Kodak Co. Ltd., Toronto, Ont.

Committee—H. R. Gruber, Upjohn Co., New York, N. Y.; W. N. Kuntz, Jr., Southwestern Drug Corp., Waco, Tex.; Marion Thatcher, Hazeltine & Perkins Drug Co., Grand Rapids, Mich.

ELECTRICAL & RADIO

Chairman—E. E. Diehl, Westinghouse Electric & Mfg. Co., St. Louis, Mo.

Vice-Chairman—W. W. Strickland, General Electric Supply Corp., New Orleans, La.

Committee—Miss Alleen Harrison, Tafel Electric & Supply Co., Louisville, Ky.; H. T. Biar, Schoellkopp Co., Dallas, Tex.; W. R. Brown, Matthews Electric Supply Co., Birmingham, Ala.

FINE PAPER

Chairman—H. C. Steward, Whitaker Paper Co., Cincinnati, O.

Vice-Chairman — B. E. McJilton, Butler Paper Co., St. Louis, Mo.

FOOD PRODUCTS AND ALLIED LINES MANUFACTURING

Chairman—F. H. Wheat, Federal Match Sales Corp., New York, N. Y.

Vice-Chairman — C. A. Armstrong, Drackett Co., Cincinnati, O.

FOOD PRODUCTS AND CONFECTIONERY WHOLESALERS

Chairman—I. H. Raunick, Fairmont Creamery Co., Buffalo, N. Y.

Vice-Chairman — H. E. Howland, Fargo Bakery Co., Fargo, N. Dak.

FOOTWEAR

Committee will be announced later.

FURNITURE, FLOOR COVERINGS, AND HOME FURNISHINGS

Chairman — T. A. Shaw, Modern Appliance & Supply Co., Inc., New Orleans, La.

HARDWARE MANUFACTURING

Chairman—H. C. Jackson, American Hardware Corp., New Britain, Conn.

Vice-Chairman — H. T. Riddick, Osborn Mfg. Co., Cleveland, O.

Committee—J. F. Madden, Nicholson Tile Co., Providence, R. I.; H. H. Hummel, National Screw & Mfg. Co., Cleveland, O.; W. D. Eck, H. D. Hudson Mfg. Co., Chicago, Ill.

HARDWARE WHOLESALERS

Chairman — G. C. Klippel, Van Camp Hdwe. & Iron Co., Indianapolis, Ind.

Vice-Chairman — H. J. Nellis, A. Baldwin & Co., New Orleans, La.

Committee—G. L. Johnson, Farwell, Ozmun, Kirk & Co., St. Paul, Minn.; G. B. McKee, Salt Lake Hdwe. Co., Salt Lake City, Utah; A. H. Heath, Hunt & Mottet Co., Tacoma, Wash.; C. S. Fenson, Watkins-Cottrell Co., Richmond, Va. (*Cont'd on p.* 29)

Are You Licensed to Do Business?

Can You Collect Legally in Another State?

By G. B. Sturtz, Joslyn Manufacturing Co., Chicago, Ill.

Interstate vs. intrastate commerce is best illustrated by actual cases. Also, it is an extremely technical subject which requires us to follow the facts closely.

Here is an example familiar to all of us: an Iowa corporation contracted to furnish and install sewer pipe in Wisconsin, and furnished the usual performance and payment bond which was written by a Michigan Bonding Company. The Iowa corporation subcontracted with a West Virginia corporation to furnish the pipe, which was manufactured at the project site.

The Iowa construction company neglected to pay the West Virginia pipe manufacturer. In a suit in Michigan against the bonding company the court decided that both the Iowa and West Virginia companies were doing business in Wisconsin without a corporate license, therefore, the contract was void and unenforceable.[1]

The credit man for an Indiana manufacturer okayed an order to manufacture, deliver and *install* milling machinery for a buyer in Tennessee. In a subsequent suit to collect, the defense of the Tennesssee purchaser was that installation of the machinery by the Indiana seller was intrastate business in Tennessee. But the court held the contract to be interstate business.[2] How can these two cases be reconciled?

There are no hard and fast rules with clear cut division, but in general the cases may be summarized as follows:

"Where the *installation* of machinery sold in interstate commerce *is made by the seller* and *no particular skill* is required to be exercised in the installation, qualification is necessary as such activity constitutes 'doing business.' "

"Where the installation of machinery sold in interstate commerce by an unlicensed foreign corporation is a *highly technical installation* of intricate mechanism, the installation is held to be an integral part of the interstate commerce and the corporation is not required to be qualified."

"Where the installation of machinery sold in interstate commerce, even though involving a highly intricate and technical installation, ***requires many and varied operations over a long period,*** the corporation will be regarded as doing business and will be required to qualify."[3]

Do any of you have installment sales outside your state? If so, you will be interested in a recent Mississippi case which decided that an agreement to keep the machinery in repair for a year changed the business from interstate to intrastate, so the seller could not recover on his contract.[4]

Ordinarily, if the original transaction is interstate commerce, collecting the purchase price of the goods, through enforcement of a chattel mortgage or a conditional sales contract, does *not* bring the corporation within the State. But look out for the requirements of the recording statutes, or the contracts may be of little value.

With all this in mind, here is a case that should be unique:

A wholesaler shipped to an Arkansas retailer, and accepted a second mortgage on real estate as security. The retailer went into bankruptcy. The wholesaler purchased the stock and carried on the business for some time before it found a buyer at a favorable price. Now getting back to the real estate, before the bankruptcy, the wholesaler bought it to protect his second mortgage, sold it and took back another mortgage, then foreclosed this mortgage, and during all these transactions was engaged in interstate business.

That judge must have been a credit man at some time, as he said all this was mere incident to the collection of the debt, that the wholesaler never intended to engage in business in Arkansas. The answer is we can do many things in collecting, which we can not do in selling.[5]

Consigned stocks to an independent dealer in another state are not usually regarded as *intrastate* business, but goods consigned to the seller, known as spot stocks maintained to give quicker service, or goods consigned to an agent of the seller are intrastate. The test seems to be whether the seller has retained control so he in fact doing the selling himself.[6]

Along the same line, leasing machinery to a lessee in another state is regarded as doing business there.[7]

Now to get back to our original question,—why is the credit man interested: the usual penalty for doing business by a corporation in a state without a license is to make the contract void, unenforceable, and denies the corporation the use of the courts for any purpose. In addition, a fine is imposed by most, if not all states. For a credit man the important result is that he can not collect.

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[1] Loomis vs. Peoples Construction Co., 211 Fed. 453.
[2] Milan Milling Co. vs. Gorten 93 Tenn. 590.
[3] Corporation Trust Company—Installation of Machinery Sold in Interstate Commerce.
[4] Case vs. Mills Novelty Company. 193 Southern 625.
[5] Sillin vs. Hessig—Ellis Drug Co., 26 S. W. 2nd. 122.
[6] Butler Bros. Shoe Co. vs. U. S. Rubber Co. 156 Fed. 1. K. C. Structural Steel Co. vs. Arkansas 269 U. S. 148. Hogan vs. Intertype Corp. 136 Ark. 52. Union Cloak & Suit Co. vs. Carpenter 102 Ill. App. 339.
[7] Erie & Mich. Rwy. vs. Central Rwy. Equip. 152 SW App. 278.

(*Continued from page* 27)

INSURANCE

Chairman — D. C. Campbell, Continental Insurance Co. of N. Y., Chicago, Ill.

Vice-Chairman—T. Alfred Fleming, National Board of Fire Underwriters, New York, N. Y.; J. Dillard Hall, United States Fidelity and Guaranty Co., Baltimore, Md.; Ambrose B. Kelly, American Mutual Alliance, Chicago, Ill.; H. J. Lowry, Michigan Liability Co., Detroit, Mich.; G. H. McClure, Lumbermen's Mutual Casualty Co.; Chicago, Ill.

IRON & STEEL

Committee will be announced later.

JEWELRY & GIFTWARE

Chairman — Perry Walter, Bulova Watch Co., New York, N. Y.

Vice-Chairman—Adam Purves, Levy Bros. Co. Ltd., Hamilton, Ont.

Committee—George Maddison, International Silver Co. of Canada, Ltd., Hamilton, Ont.; J. E. Allen, Oneida, Ltd., Oneida, N. Y.; L. Stossel, Forestville Clock Co., Toronto, Ont.

MACHINERY & SUPPLIES

Chairman — I. L. Hillman, Dravo Corp., Pittsburgh, Pa.

Vice-Chairmen — L. H. Bachner, Chicago Molded Products Corp., Chicago, Ill.; E. B. Gausby, Warner & Swasey Co., Cleveland, O.

Committee — Oscar Iber, O. Iber Co., Chicago, Ill.; Wm. T. Siddall, Brown & Sharpe Mfg. Co., Chicago, Ill.

MEAT PACKING

Chairman—R. H. Fried, Fried & Reineman Packing Co., Pittsburgh, Pa.

Vice-Chairman—L. C. Storm, Armour & Co., Chicago, Ill.

Committee — R. A. Carrier, Agar Packing & Provision Corp., Chicago, Ill.; W. D. Murphy, Swift & Co., New Orleans, La.; H. H. Slattery, East Tennessee Packing Co., Knoxville, Tenn.

PAINT, VARNISH, LACQUER & WALLPAPER

Chairman — Milton M. Salaun, Marine Paint & Varnish Co., New Orleans, La.

Committee—Alice R. Smith, Tuttle Paint & Glass Co., El Paso, Tex.; F. J. Hamerin, Lilly Varnish Co., Indianapolis, Ind.; A. R. Gilmore, Sherwin-Williams Co., St. Louis, Mo.; E. N. Ronnau, Cook Paint & Varnish Co., Kansas City, Mo.

PAPER PRODUCTS & CONVERTERS

Chairman — R. L. Burry, Wayne

Paper Box & Printing Corp., Ft. Wayne, Ind.
Vice-Chairman — E. Wylie, Container Corp. of America, Chicago, Ill.
Committee—W. H. Early, Birmingham Paper Co., Birmingham, Ala.; E. E. Meader, Kalamazoo Vegetable Parchment Co., Kalamazoo, Mich.; L. J. McWain, Universal Products Co., Chicago, Ill.

PETROLEUM REFINERS
Committee will be announced later.

PLUMBING & HEATING
Chairman — R. L. Griffiths, International Heater Co., Utica, N. Y.
Vice-Chairmen — F. G. Phillips, Globe Machinery & Supply Co., Des Moines, Iowa; Vernon Mondinger, American Radiator-Standard Sanitary Corp., New Orleans, La.
Committee—C. J. Barnett, Grinnell Co., Inc., Charlotte, N. Car.; F. D. Bartlett, Tay-Holbrook Co., San Francisco, Cal.; J. A. Ritchie, Crane Co., Cleveland, O.

PUBLIC UTILITIES
Chairman—H. S. Hahn, The Ohio Fuel Gas Co., Columbus, O.
Vice-Chairman—E. A. Smith, New Orleans Public Service, Inc., New Orleans, La.
Committee — F. D. Hayes, West Penn Power Co., Pittsburgh, Pa.; L. L. Starrett, Commonwealth Edison Co., Chicago, Ill.; R. W. Peterson, Puget Sound Power & Light Co., Seattle, Wash.

STATIONERY, PUBLISHING, SCHOOL & OFFICE SUPPLIES
Committee will be announced later.

TEXTILE
Chairman—Ely R. Callaway, Callaway Mills, La Grange, Ga.
Vice-Chairman — Wm. G. Betsch, William Iselin & Co., Inc., New York, N. Y.
Committee—A. W. Macy, Indianapolis Glove Co., Indianapolis, Ind.; A. J. Pischel, Joshua L. Baily Co., New York, N. Y.; C. Callaway, Jr., Crystal Springs Bleachery, Inc., Chickamauga, Ga.

U. S. exporters' terms to Latin America are normal

New York—Criticism that American manufacturing exporters are refusing to grant normal credit terms to Latin American buyers and, consequently, are seriously impairing United States and Latin American business relationships, is almost entirely unjustified.

That was the gist of an analysis, "In Defense of the American Exporter," presented recently in the Weekly Bulletin of the Foreign Credit Interchange Bureau, of the NACM. The report is based on actual information brought out in recent roundtable conferences on foreign credit, collection and exchange problems, sponsored by the Bureau in New York, as well as the Bureau's semi-annual surveys of Latin American credit and collection conditions.

Straight Line Speed in Credit Work

(*Cont'd from p.* 19) accountant's services in making out their tax reports, but they do not regularly avail themselves of accounting services which can be had at a nominal cost. Thousands of shops are operated by men who are fine personal salesmen but do not understand the relation of income to expenditures, the principles of inventory turnover and other essential business facts.

We hear much of the high cost of distribution. There is a tendency to blame manufacturers for this. It is said, among other things, that retailers are "overloaded," hence unable to meet their obligations. But there are two parties to every sale, the buyer and the seller. A retailer who maintains adequate records should be able to reasonably gauge his inventory needs for a given period. Assuming no unusual circumstances, he should be able to turn over the stock he has bought. We speak of "incompetent" retailers. In many instances the incompetence resolves itself, upon investigation, into nothing more than this lack of adequate business figures.

Why Be a "Wet Nurse"?

I do not suggest that credit executives should be "wet nurses" to retailers. I do believe that we should view with suspicion any business man who is unable to furnish a correct financial statement and a clear operating report. If he doesn't know where he stands and whether he is going ahead or backward —how can we?

When we confront cases of business ignorance we sometimes suggest experienced assistance. Our suggestions have seldom been resented. In some instances we have reason to believe that we have materially aided the success of our customer by urging him to accurately chart his business activities. It may be that many credit executives would not care to show such a personal interest in their accounts. It has happened to pay us on the occasions when we have done so.

Letters to the Editor

Dear Editor:

We have been very much interested in the articles appearing in the current issue of your magazine concerning terms and discount chiseling.

This office has frowned on such tactics for many years and has engaged at frequent times in lengthy correspondence with many debtors throughout the country who have engaged in such practices but who, for some reason or another, possibly because of their size, seem to feel that their motives and methods should not, or could not, be questioned.

As factors, we purchase accounts receivable from manufacturers throughout the west, many of whom sell to the largest concerns in the United States and number among their customers the large mail order houses, large chain stores and the largest department stores throughout the country.

There seems to be a growing tendency on the part of even the largest concerns to ask for special dating or extra terms on certain invoices and then use that extra time for anticipation and the lengths to which some go in this respect is astounding.

One of the very large mail order houses is making it a practice to take anticipation discount at the rate of 6% per annum on late invoices while many old invoices, one, two, three and even four months old remain unpaid, and excuses are made that they are having difficulty getting these invoices checked through, and frequently duplicate invoices are being asked for two or three times on the same items.

We could go on to cite literally hundreds of these cases. The practice must be well known already to many other factors throughout the country as well as to some of the largest manufacturers and jobbers. We should like to hear from some of the others as to what their experiences have been.

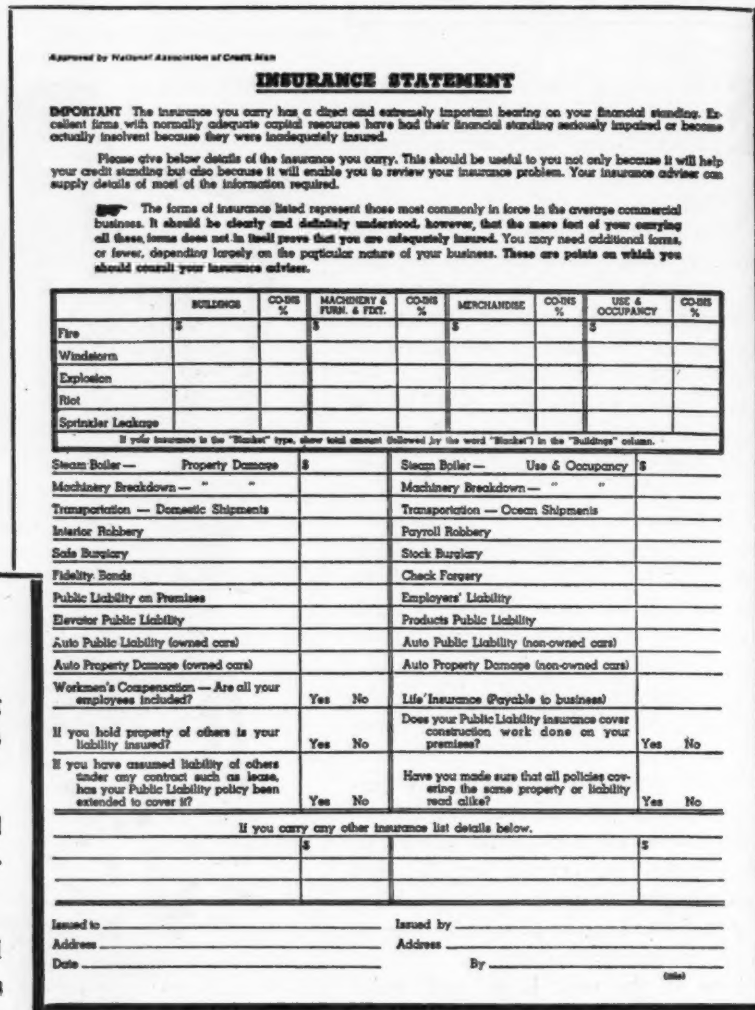
The large concerns we complain of seem to pay no attention whatsoever to references to the Robinson-Patman Act, and we are wondering whether it wouldn't be in line with the government's intentions to refer some of these items to the Federal Fair Trade Commission.

S. S. Forst, *Treasurer,*
Refinance Corporation,
Los Angeles, Cal.

INSURANCE

A Bulwark of Credit

• • This page, which is donated by one of its members, is used monthly by the Insurance Group of the National Association of Credit Men to foster a better understanding of insurance as an indirect guarantor of credit.



Approved by National Association of Credit Men

INSURANCE STATEMENT

IMPORTANT The insurance you carry has a direct and extremely important bearing on your financial standing. Excellent firms with normally adequate capital resources have had their financial standing seriously impaired or become actually insolvent because they were inadequately insured.

Please give below details of the insurance you carry. This should be useful to you not only because it will help your credit standing but also because it will enable you to review your insurance problem. Your insurance adviser can supply details of most of the information required.

The forms of insurance listed represent those most commonly in force in the average commercial business. It should be clearly and definitely understood, however, that the mere fact of your carrying all these forms does not in itself prove that you are adequately insured. You may need additional forms, or fewer, depending largely on the particular nature of your business. These are points on which you should consult your insurance adviser.

	BUILDINGS	CO-INS %	MACHINERY & FURN. & FIXT.	CO-INS %	MERCHANDISE	CO-INS %	USE & OCCUPANCY	CO-INS %
Fire	$		$		$		$	
Windstorm								
Explosion								
Riot								
Sprinkler Leakage								

If your insurance is the "Blanket" type, show total amount (followed by the word "Blanket") in the "Buildings" column.

Steam Boiler — Property Damage	$	Steam Boiler — Use & Occupancy	$
Machinery Breakdown — " "		Machinery Breakdown — " "	
Transportation — Domestic Shipments		Transportation — Ocean Shipments	
Interior Robbery		Payroll Robbery	
Safe Burglary		Stock Burglary	
Fidelity Bonds		Check Forgery	
Public Liability on Premises		Employers' Liability	
Elevator Public Liability		Products Public Liability	
Auto Public Liability (owned cars)		Auto Public Liability (non-owned cars)	
Auto Property Damage (owned cars)		Auto Property Damage (non-owned cars)	
Workmen's Compensation — Are all your employees included?	Yes No	Life Insurance (Payable to business)	
If you hold property of others is your liability insured?	Yes No	Does your Public Liability insurance cover construction work done on your premises?	Yes No
If you have assumed liability of others under any contract such as lease, has your Public Liability policy been extended to cover it?	Yes No	Have you made sure that all policies covering the same property or liability read alike?	Yes No

If you carry any other insurance list details below.

	$		$

Issued to ____________ Issued by ____________

Address ____________ Address ____________

Date ____________ By ____________

(title)

INSURANCE STATEMENT FORM

N.A.C.M. approved form. Procurable from the National Association of Credit Men, New York, or D. C. Campbell, Chairman, National Insurance Group, 844 Rush Street, Chicago, Ill.

THE PROGRAM

1. To encourage a wider understanding among credit executives of insurance as a protector of sound credit.

2. To keep credit executives informed of the wide variety of insurance coverages which are available.

3. To promote the use of the official N.A.C.M. insurance statement form as a supplement to the financial statement.

Available Coverages

The following list is selective because of space limitations.

Accounts Receivable
Aircraft
  Crash
  Fire
  Land Damage
  Mooring
  Theft
  Windstorm
  Aircraft & Motor Vehicle P.D.
Automobile
  Comprehensive
    Fire
    Theft
    Flood
    Public Liability
    Tornado
    Earthquake
    Explosion
    Riot
    Aircraft Property Damage
    Glass Breakage
  Collision
  Property Damage
    Non-Ownership
    Drive Other Cars
    Hired Cars
  Loss of Use
Bailees Customers Floater
Bridge Insurance
Builders Risk
Consequential Damage
Contingent Liability—R.R. Sidetrack or Switch Lease
Credit
Demolition
Department Store Floater
Disability Insurance
  Individual
  Group
Dyers & Cleaners Floater
Earthquake
Electric Sign
Engagement Ring Floater
Equipment Floaters
Errors & Omissions
Exhibition Floater
Explosion
Extended Coverage
  Tornado
  Hail
  Riot
  Explosion
  Smoke Damage
  Aircraft & Motor Vehicle P.D.
Extra Expense
Fallen Building
Fire
Fine Arts Floater
Flood
Frost
Fur Floater
Furriers Customers
Garage Keepers Liability
Garment Contractors Floater
General Floater
Gold & Silverware Floater
Golf Floater
Gross Receipts Truckmen's Floater
Gun Floater
Hail Insurance
Horse & Wagon Floater
Installation Floater
Installment Sales Floater
Jewelers Block
Jewelry—Fur Floater
Laundry Floater
Leasehold
Life Insurance
  Individual
  Key Man (in a business)
  Group (including disability)
Live Stock Floater
Malicious Mischief—Vandalism
Manufacturers Output Floater
Marine
  Hull (various forms)
  Cargo (various forms)
Mortgage Interest
Morticians Equipment Floater
Motor Truck Cargo
Motor Truck Merchandise Floater
Motor Vehicle Property Damage
Musical Instrument Floater
Paraphernalia Floater
Parcel Post Floater
Patterns & Die Floater
Personal Effects Floater
Physicians & Surgeons Floater
Profits & Commissions
Public Liability
Radium Floater
Rain
Registered Mail
Rent—Rental Value
Riot & Civil Commotion
Safe Deposit Box
Salesmens Sample Floater
Scheduled Property Floater
Scientific Instrument Floater
Smoke Damage
Sprinkler Leakage
Sprinkler Leakage—Legal Liability
Stamp Collectors Floater
Stock Floaters
Stock—Reporting
Surety Bonds
  (numerous forms of bonds)
Theatrical Floater
Tornado
Tourist Baggage Floater
Transportation Floater
Trees, Shrubbery—Lawn Improvements
Trip Transit Floater
Tuition Fees
Unearned Premium
Use & Occupancy (various forms)
War Risk
Water Damage
Wedding Presents Floater
Windstorm

NATIONAL ASSOCIATION OF CREDIT MEN

F. P. D. plans to spread anti-fraud activity

Plans to curb further fraudulent bankruptcies in the Eastern Pennsylvania area, along the lines now followed in the New York, New Jersey and New England territory, were discussed in September when the committee of New York credit executives, who are now prominent in the activity of the Fraud Prevention Department of the National Association of Credit Men, met with officers and staff members of the Department and the New York Credit Men's Association.

Outlining the problem, Wm. G. Betsch, Assistant Vice President, William Iselin & Co., Inc., New York, who was recently named Chairman of the Fraud Prevention Committee for the third consecutive year, declared that "the ten counties of Eastern Pennsylvania, into which we expect to broaden our present drive against fraudulent business operations have a population of about 5,000,000.

"There is no doubt that these people will benefit in the form of lower prices for in the long run any business frauds must inevitably add to the cost of the consumer's purchases and thereby restrict his effective purchasing power.

"Last year in the territory we are considering, there were 616 bankruptcies in the period ending June 30, 1939, according to the U. S. Attorney General's report. The committee plans are based on the experiences of New York firms which indicate that a small but significant portion of these bankruptcies were of a fraudulent nature.

"The Fraud Prevention Department of the National Association of Credit Men is at present covering New York, New Jersey, the New England States, as well as Illinois, Indiana and Wisconsin. The Eastern Pennsylvania area will be added by January, 1941, if present plans for the raising of a special fund are carried through.

"Since 1925, when the Credit Association's Department was first organized, it has aided federal, state, and local authorities in gaining 1,672 convictions. Besides the obvious deterrent effects, it has brought approximately $2,000,000 back to business in the form of recoveries for creditor firms interested in the fraudulent businesses investigated."

Write N.A.C.M. Washington office for defense contract information

The NACM Washington office will be glad to assist members, who receive orders for material in connection with defense contracts, in obtaining as much information as is available concerning those contracts.

In view of the action taken by Congress in granting to the Secretary of War and the Secretary of the Navy the right to suspend the Miller Act in connection with contracts awarded on a cost-plus-fixed-fee basis, as well as the right granted to contractors with the government to assign their claims under such contracts, many firms receiving orders for material to be used on defense projects will undoubtedly wish to learn whether the Miller Act has been suspended in connection with the contract and whether the contractor has filed with the government, notification of his intention to assign his claims under the contract.

To the extent that this information is available in Washington, the Association's office there will be glad to obtain it for our members. Any member company interested in obtaining such information should write to C. F. Baldwin, Washington Representative, National Association of Credit Men, Bowen Bldg., 815—15th St., N. W., Washington, D. C.

Credit executives have many responsibilities, survey finds

The term "credit executive" is well known in the credit world but exactly who is this credit executive. An interesting indication as to the role of the credit executive in today's business has come to light through a recent advertising research survey by "Credit and Financial Management."

In the case of 434 individuals who reported in the survey, of the 494 surveyed, 78 were junior executives and 356 or over 87 per cent were senior executives. The credit executive held the post of treasurer or secretary in 161 instances, or 37 per cent; his title was credit manager in 133 cases, or 36 per cent; he was auditor or controller in 32 cases, or over 7 per cent, while in 30 firms he was president, vice president or general manager, approximately 7 per cent.

Of the 494 firms surveyed, the credit executive controlled credit and collections, as was to be expected, in each firm; but in 258 firms, he supervised payrolls; in 255 he supervised bills payable; and in 268 he was in charge of the entire accounting department.

Of the 419 individuals who answered the question as to whether or not they bought office equipment for their firm, 268 credit men reported that they buy all the equipment for their company. 159 of these were in manufacturing firms and the remainder wholesalers.

Supervision of office equipment purchases for the departments actually supervised, rather than for the whole company, was the response of 151 credit men of whom 56 were wholesalers and 95 manufacturers.

The combined percentage buying equipment for account, credit and collection departments was 84.8 per cent, while the combined percentage buying of equipment for their companies was 54.25 per cent.

The survey points out that "efficient office routine is the key to successful credit and accounting management.

"To handle accounts promptly and accurately, particularly as there is an average of 3,571 per company to take care of; to carry through all the necessary bookkeeping details; to do an efficient job of collections requires a broader knowledge of modern office equipment, its uses, adaptabilities and limitations than is required of any other executive in modern business.

"It is therefore the credit executive, in the vast majority of cases, upon whom management depends for the most intimate knowledge of office machines and supplies. And the man who possesses this knowledge is logically the man to whom there is entrusted the responsibility for the office equipment purchases of his organization."

Congress permits assignment of defense program contracts

A law enacted by Congress in early October makes it possible for contractors with the government to assign their claims under such contracts to banks, trust companies, or other financing institutions, including any Federal lending agency. The law suspends the previous statutory prohibition of such assignments.

The law provides that, in the case of any contract entered into prior to the date of approval of the law, no claim shall be assigned without the consent of the head of the government department or agency concerned. It also provides that any contract may contain a prohibition against assigning the contract. It is further provided that any assignment of a contract with the government shall not be made to more than one party, and shall not be subject to further assignment, except that the assignment may be made to one party as agent or trustee for two or more parties participating in the financing of the contract.

Finally, the law provides that the assignee of any contract shall file written notice of the assignment, and a true copy of the assignment, with the General Accounting Office, the contracting officer or the head of the government department or agency concerned, the surety or sureties upon the bond or bonds in connection with the contract, and any disbursing officer designated in the contract to make payment.

The right of contractors to assign their claims under contracts with the government was recommended by the Defense Commission and by the War and Navy departments. The action by Congress is really a defense measure and the interest of those in charge of the defense program resulted from their desire to have defense contracts made bankable.

It was pointed out that defense contracts had been held up because of the difficulty which some contractors or prospective contractors experienced in obtaining private loans. It was contended that, by making defense contracts assignable, these delays would be avoided and the defense program would be greatly accelerated.

When this matter came up for consideration in Congress the National Association of Credit Men pointed out that the National Industrial Recovery Act, which had contained a provision permitting contractors on government public works projects to assign their contracts, also required that the proceeds of such assignments be first applied to the payment of the contractor's obligations for goods and services used in the performance of the contract.

The Association suggested that a somewhat similar requirement be placed in the pending legislation and proposed an amendment to that effect. The Association's proposal, however, was not accepted by Congress and the law was passed without any limitation on the manner in which the proceeds from the assignment could be used.

It is to be expected, of course, that most defense contractors who avail themselves of the right granted by Congress to assign their contracts will voluntarily use the proceeds of such assignments to pay their trade obligations. The fact still remains, however, that the law does not require the contractor to do so. Apparently, the only supervision which may be forthcoming in that regard will come from the banks and other financing institutions which are assignees of the contracts and which may exercise some control over the manner in which the proceeds of the assignment are employed.

Radio broadcasts arranged about NACM work in credit

Through arrangements made by the Public Relations Department of the NACM, a number of Association members will go "on the air" in the weeks ahead, over Station WBBC, Brooklyn.

The programs started on October 15, when Lillian Guth, Treasurer of the Emerson Radio, New York, and past Chairman of the National Credit Women's Executive Committee, was interviewed over that station by Barbara Brodsley "The American Girl Reporter." Miss Guth discussed the work of women in credit and the credit association, and told of the New York Credit Women's Club's part in the Tri-State Conference, held in New York on October 18 and 19.

On Saturday, October 19, a special quarter-hour broadcast entitled "What is the National Association of Credit Men?" was presented by Paul Haase, NACM Director of Public Relations.

Beginning Tuesday, October 29, a series of quarter-hour broadcasts is being made over the same station, these being a discussion of the work of the Fraud Prevention Department of the NACM.

Among the speakers announced at this writing will be John L. Redmond, NACM President, who is Vice President of Crompton-Richmond Co., Inc.; Clarence L. Riegel, General Electric Co., who is a National Director of the NACM, as well as President of the New York CMA; William G. Betsch, Asst. Vice President, William Iselin & Co., Inc., who is Chairman of the Fraud Prevention Committee; and others who are also members of that committee.

Members in the East who wish to tune in this series should dial 1400. Remember the day and the hour—for 10 weeks beginning Tuesday, October 29 at 6:15 P. M. over Station WBBC.

NEWS ABOUT CREDIT MATTERS

A section devoted to local Credit Association affairs

November, 1940

Copy deadline 15th of month

Central and East Prexies hold meetings

Credit management problems and plans for forthcoming activities by credit men's associations in mid-west, eastern and southeastern cities were discussed at all-day conferences in Chicago and New York on September 23 and September 30, respectively. The Chicago meeting for Central Division Presidents was at the Palmer House, while the New York meeting for eastern and southeastern Association Presidents was at the Hotel Vanderbilt. NACM Pres. John L. Redmond, presided at both.

Those in attendance at Chicago were: A. L. Podrasnik, Chicago Times, Inc., Chicago; Oliver L. Ulrich, J. D. Roszell Co., Peoria, Ill.; Stanley Thayer, Capitol Paper Co., Springfield, Ill.; J. D. Moore, Sr., Stokely Bros. & Co., Indianapolis, Ind.; Miss Leslie M. Pollock, Gardner & Gould Co., Burlington, Iowa; W. W. Mastin, Hall Mfg. Co., Cedar Rapids, Iowa; F. G. Phillips, Globe Machinery & Supply Co., Des Moines, Iowa; E. B. Rhodes, Swift & Co., Sioux City, Iowa; Berl Boyd, Belknap Hdwe. & Mfg. Co., Louisville, Ky.; J. A. Monier, Jr., Wesson Oil & Snowdrift Sales, New Orleans, La.; R. D. Andrew, American Blower Corp., Detroit, Mich.; Frederick Luneke, Grand Rapids Bedding Co., Grand Rapids, Mich.; Elmer Hurt, Richards Mfg. Co., Grand Rapids, Mich.; Carl Reyburn, Kalasign Corp. of America, Kalamazoo, Mich.; B. O. Schwarz, Waterman Waterbury Co., Minneapolis, Minn.; John Ledbetter, Northrup King Co., Minneapolis, Minn.; H. T. Ready, U. S. Bedding Co., St. Paul, Minn.; E. N. Ronnau, Cook Paint & Varnish Co., Kansas City, Mo.; Edw. W. Henne, Missouri Portland Cement Co., St. Louis, Mo.; F. J. Blum, Midwest Piping Co., St. Louis, Mo.; Chas. R. Moore, A. Y. McDonald Mfg. Co., Omaha, Neb.; O. E. Dreutzer, Alms & Doepke Co., Cincinnati, O.; E. A. Murphree, Wm. A. Webster Co., Memphis, Tenn.; C. L. Barthels, Pied Piper Shoe Co., Wausau, Wis.; Geo. J. Christiansen, Hummell & Downing Co., Milwaukee, Wis.; Sig. Overstraeten, Van Cleaf Bros., Chicago; John L. Redmond, NACM President, Crompton-Richmond Co., Inc., New York City; Bruce Tritton, Vice President, Central Division, NACM, American Stove Co., Cleveland, O.; H. H. Heimann, Executive Manager, NACM, New York City; E. B. Moran, Central Division, NACM, Chicago; H. H. Bailey, Fraud Prevention Dept., NACM, Chicago.

Those in attendance at the New York meeting were: John L. Redmond, NACM President and Vice President, Crompton-Richmond Co., Inc., New York City; Clarence L. Riegel, President, New York Credit Men's Association; William H. Pouch, past NACM President and President, Concrete Steel Co., New York City; P. M. Haight, past NACM President and Sec.-Treas., International General Electric Co., New York City; William Fraser, past NACM President and Treas., J. P. Stevens & Co., Inc., New York City; G. H. Rothweiler, President, and E. J. Squires, Vice President, New Jersey Assn. of Credit Men, Newark, N. J.; Irwin H. Raunick, President, Credit Assn. of Western N. Y., Buffalo, N. Y.; George C. Lennox, President, Rochester Assn. of Credit Men; John T. Brown, Jr., President, Credit Men's Assn. of Eastern, Pa., Philadelphia, Pa.; Homer C. Senior, President, Waterbury Assn. of Credit Men; F. V. Bigelow, President, New Haven Association of Credit Men, Inc.; F. Clifford Heath, President, Syracuse Assn. of Credit Men; Mark D. Stevens, President, Worcester County Assn. of Credit Men, Worcester, Mass.; George C. Kugler, President, and Clark V. Hendee, Sec., Eastern N. Y. Assn. of Credit Men, Albany, N. Y.; James A. Mawn, President, Boston Credit Men's Assn.; Harry C. Jackson, President, Hartford Assn. of Credit Men; Clarence H. Rison, President, and Henry Farrell, Sec., Rhode Island Assn. of Credit Men, Providence, R. I.

Credit Fraternity Fund carries on placement work

New York—The Credit Fraternity Fund, organized a year ago to help responsible deserving credit executives in the matter of reemployment, has been active in many ways during that time in calling its work to the attention of executives in eligible companies.

A special blotter was distributed in the latter part of September and around the middle of October two specially designed neckties were mailed to a selected list of individuals interested in the work of the Credit Fraternity Fund. In line with the distinctive ties worn by members of fraternal organizations, regiments and famous schools, the ties which the Fund distributed at that time were especially created with the emblem of the New York CMA woven into the fabric. The proceeds resulting from this distribution will go towards helping credit men who are temporarily in need of funds.

New England credit parley November 14

Boston—New England credit executives are looking forward to Thursday, Nov. 14, at which time the annual New England Credit Conference will be staged here in the Hotel Touraine under the sponsorship of the Boston CMA. There will be a "night before get-together" on Wednesday afternoon, Nov. 13.

Among the subjects on the conference agenda are: debt moratorium for service men, tax preferences, secret assignment of accounts receivable, each of which will be followed by an open forum. Government versus private credit as well as addresses on the general business outlook and the credit executives' role today will also be presented.

Among the speakers named in the first announcement were NACM Exec. Mgr., Henry H. Heimann, Elliot S. Boardman of the Federal Reserve Bank of Boston, and Charles F. Baldwin, Washington Service Bureau Manager, NACM. Delegates from Providence, Worcester, Springfield, Hartford, New Haven, Bridgeport, Waterbury and Boston are expected to be in attendance.

Ohio State U. sponsors credit meetings again

Columbus, O.—The Second Biennial Institute on Credit was held here November 1-2 under the sponsorship of the College of Business Administration of Ohio State University. Among the speakers were NACM Exec. Mgr. Henry H. Heimann and Educational Director Carl H. Henrikson.

Western Division parleys announced

San Francisco—The Credit Managers Association of Northern and Central California will be host in this city to the 17th annual Conference of Western Division Secretary-Managers of local credit associations during September 1941. That was one of the decisions made at the San Diego conference in September.

At the same time, it was announced that the 24th annual Pacific Southwest Conference of credit executives will be held in Seattle in March 1941, and that it is expected to have NACM Exec. Mgr. Henry H. Heimann in attendance at that parley.

Minneapolis C-men honor past officers

The Minneapolis ACM, responsible for more than $600,000,000 in wholesale sales annually, old as the National Association, is shooting for a membership of 500 and at its big September meeting, after a tour of the Munsingwear Co. plant, heard President B. O. Schwarz announce that 50 new members was the goal before Christmas and that several were ready to be introduced by the membership committee at the October meeting. Prof. J. O. Christianson, University of Minnesota, spoke on "The Roots of Civilization" at the September get-together, which was attended by 197 members and guests who gave special recognition to the club's past presidents in attendance.

Announcement was also made that the December meeting would be combined with a big Xmas party at which time special honors would be awarded to the outstanding membership workers.

In the above picture the following past presidents are included: Back Row, l. to r. —L. M. Powell, W. S. Nott Co., 1919; R. P. Ingmundson, Minneapolis Iron Store, 1925; J. A. Gurley, Gurley Candy Co., 1923; J. W. Sprague, Janney Semple Hill & Co., 1918; F. H. Gudgeon, Hills Bros. Coffee, Inc., 1932; P. J. Wedge, Commander Larabee Milling Co., 1936; S. M. Corbell, Gamble Robinson Co., 1938; J. F. McGrath, Loose Wiles Biscuit Co., 1927; C. E. Mann, Munsingwear, Inc., 1915; J. A. McBrien, Jordan Stevens Co., 1931; E. S. Jones, Marquette National Bank, 1930.

Front Row, l. to r.—M. E. Salisbury, Salisbury & Satterlee Co., 1920; C. L. Pillsbury, Sec.-Treas., Munsingwear, Inc., H. S. Holbrook, Sec.-Treas., Minneapolis ACM, 1928 Past Pres.; W. O. Frost, Honorary Member, 50 years service; J. O. Christianson, Supt. School of Agriculture, University of Minnesota; B. O. Schwarz, Waterman Waterbury Co., Pres., Minneapolis ACM; G. D. McConnell, Munsingwear, Inc., Vice Pres., Minneapolis ACM; E. C. Wilson, Vice Pres., Sales & Merchandising, Munsingwear, Inc.

"Queen Mary" at St. Paul

St. Paul—At the Oct. 8 meeting of the St. Paul ACM the program was presented by the recently organized Insurance Advisory Council, under the chairmanship of Geo. W. Bewell. In the picture above you see, l. to r.: Chester R. Jones, St. Paul Agency Mass. Mutual Life Ins. Co.; H. T. Ready, Pres., St. Paul ACM; George A. Bewell, Neely Insurance Agency and Chairman, Insurance Advisory Council; Mary Lou McDonnell, Minnesota Mutual Life Ins. Co. and Queen, St. Paul Winter Sports Carnival; Jean Wallraff, Travelers Insurance Companies; and J. C. Youmans, Employers Mutuals of Wausau.

Miss McDonnell, as Queen, convened her court and summoned Chief of Police, Clinton A. Hacket, and Fire Chief, William J. Sudeth, to report on crime reduction and fire prevention. The meeting was also favored with a program of entertainment by local insurance agencies talent, followed by a playlet presented by member insurance men and supported by past president, S. C. Brennom, Chairman of the Insurance Committee.

To promote interest in the meeting the notices sent out were in the form of individual insurance policies and this resulted in attendance in excess of any meeting in the past two years. It also provided E. F. King of the Crane Company an opportunity to file a claim for indemnity under his policy and gain him a $5.00 settlement!

Moran addresses N. Y. Rotary

New York—E. B. Moran, Central Division Manager, NACM, was the featured speaker at the Oct. 18 luncheon meeting of the Rotary Club of New York. He discussed commercial crime and the Fraud Prevention activities of the NACM. Mr. Moran is a past President of the New York Rotary Club and served as Vice Pres. last year of the Chcago Club. His New York talk was made while he was attending the sessions of the NACM Board of Directors here at that time.

Sioux City plans for Tri-State Conference

Sioux City—Preparations for the Tri-State Conference of Credit Men to be held in this city in February 1941, were begun here on Oct. 9 when program and other conference details were discussed by councilors for credit associations in the states of South Dakota, Nebraska and Iowa. Presiding at the meeting was A. W. Metz, Councilor and past President of the Interstate Association of Credit Men of this city.

Sioux City was also host on the same day to the meeting of Legislative Committee Chairman of the various associations within the three states and the Chairman of each Legislative Committee, this gathering being headed by L. Motz, National Director of the NACM. Represented at the two meetings were Associations in the following cities: Lincoln, Omaha, Nebr.; Sioux Falls, So. Dak.; Burlington, Davenport, Des Moines, Cedar Rapids, Waterloo, and Sioux City, Iowa.

Pittsburgh stages 4th oil credit conference

Pittsburgh—The 4th annual conference of the Eastern Petroleum Credit Group was held here on Oct. 14-15 under the joint sponsorship of the Petroleum Groups of the Boston, New York, Philadelphia and Pittsburgh associations. The conference committee included: *General Chairman*—Ross R. McCoy, Gulf Oil Corp., Pittsburgh, Pa.; *Co-Chairmen*—L. M. Fuller, Sinclair Refining Co., New York, N. Y.; R. P. Dean, Standard Oil Co. of Pa., Philadelphia, Pa.; and R. L. Wentworth, Petroleum Heat & Power Co., Boston, Mass.; *General Secretary*—Dudley R. Meredith, Credit Association of Western Pa., Pittsburgh, Pa.

Among the speakers were: Dr. R. E. Sherrill, Head of Oil and Gas Dept., University of Pittsburgh; L. A. Carlson, Gulf Oil Corp.; Miss Aline Hower, Letter Writing Consultant, St. Louis, Mo.; Theo. F. Smith, Pres., Oliver Iron & Steel Corp.; Floyd A. Ferguson, Westinghouse Electric & Mfg. Co., Mansfield, Ohio. Special forums on the program considered the subjects of accounts receivable financing, legal problems, retail accounts, and furnace oil accounts.

Electrical, radio industry elects new credit committee

Credit executives of the electrical and radio industry have selected the following committee which will have charge of the Industry Meeting and program in conjunction with the annual Credit Congress of the NACM at New Orleans in May 1941; *Chairman* E. E. Diehl, Westinghouse

Electric & Mfg. Co., St. Louis, Mo.; *Vice Chairman*, W. W. Strickland, General Electric Supply Corp., New Orleans, La.; Alleen Harrison, Tafel Electric Co., Louisville, Ky.; H. T. Biar, Schoellkopf Co., Dallas, Tex.; and W. R. Brown, Matthews Electric Supply Co., Birmingham, Ala.

Chairman Diehl and his committee are the official representatives of the Electrical and Radio Industry in the NACM. They invite suggestions on topics which might advantageously be discussed at the coming Credit Congress, as well as regarding any other credit problems on which committee action would be helpful.

Wife of NACM member has novel published

Cincinnati — Harold Steward, Treas., The Whitaker Paper Co. and Chairman of the National Fine Paper Industry Group of the NACM, received congratulations early in October from his fellow Cincinnati credit executives upon the publication of the novel "Let the Earth Speak" by his wife, Ann Steward. Mr. and Mrs. Steward recently moved to a 100-acre farm outside Cincinnati and Mrs. Steward's novel is based on their experiences. It was published by the MacMillan Company, one of the outstanding New York book firms.

Mr. Steward is active in Cincinnati ACM affairs, being on its Educational Committee, as well as teaching a course in Credits and Collections at the University of Cincinnati.

D. A. Weir addresses railroad treasurers,' bankers' meetings

Regardless of the outcome of the European war, the United States should not be faced with a lowering of living standards or greater centralization of governmental control over industry, David A. Weir, Asst. Exec. Mgr. of the NACM, declared on October 11 before the annual meeting of the Treasury Division, Association of American Railroads, in the Roanoke Hotel, Roanoke, Va.

"It must be taken for granted," Mr. Weir told the railroad executives, "that regardless of the result of the war in Europe, world economics will be profoundly affected. We dare not assume that this nation will be exempt from the effects of the change in world economics."

The United States' answer to that condition should be "neither more centralized control over industry nor a lowering of living standards," Mr. Weir said. "I do not believe that either is necessary. I do believe that there must be a recognition of the problem now and a preparation to meet that problem. This can be done only through a closer degree of cooperation among all segments of our national life."

Mr. Weir was also the featured speaker at the Oct. 23 meeting of the Detroit Chapter of the American Institute of Banking in the Detroit-Leland Hotel. His subject for this talk was: "Visions and Values."

Look Ahead to New Orleans! NACM Credit Congress, May 11-15

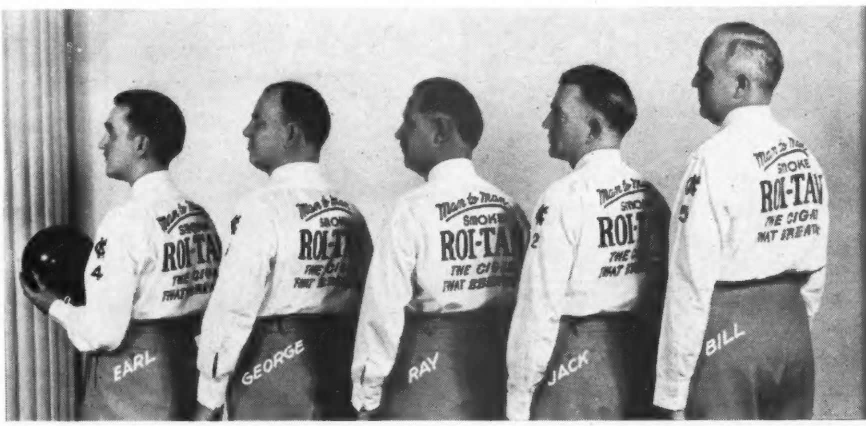
C-men tell sales club of credit cooperation

New York—The Sales Executives Club of this city heard three outstanding New York credit executives discuss means by which salesmen and credit men can cooperate in numerous ways to help each other at its Sept. 24 meeting. J. L. Wood, Credit Manager, Johns-Manville Corp., pointed out that good collection letters, for example, can make the path of the salesmen much easier. He does not have to spend so much of his time, either appealing to the account for payment, or soothing feelings ruffled by an imprudent collection letter, he said. When a credit department functions efficiently, he said, the salesman can rely on the fact that his accounts are in good standing and can sell with confidence.

Clarence Riegel, General Electric Co., said that in recent years so many problems have been tossed into the lap of the credit executives that he has become an "immature management engineer." He suggested that credit men mingle with customers and try to help them, just as salesmen do. George W. Patterson, Credit Manager, American Cyanamid Company, said that a keen salesman can help the credit executives by spotting unfavorable tendencies among their accounts.

Retail ice cream mfrs. assn. hears Heimann

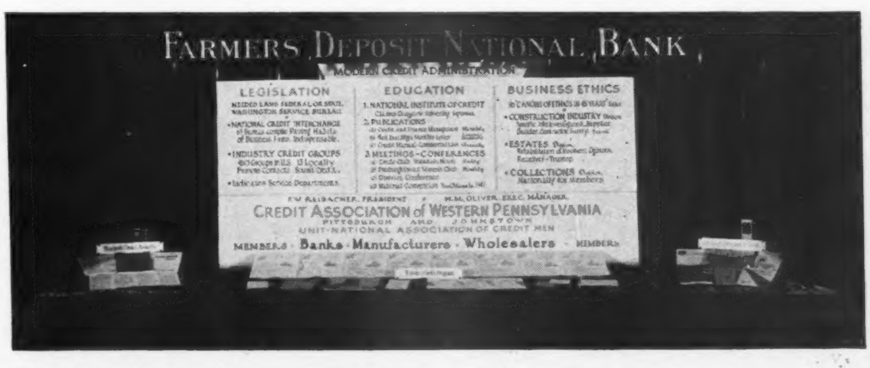
Atlantic City—The seventh annual convention of the National Assn. of Retail Ice Cream Manufacturers held in this city at the Madison Hotel on Oct. 23, heard NACM Exec. Mgr., Henry H. Heimann, present a featured address entitled "Freedom of the C's." Mr. Heimann's talk was an analysis of domestic and foreign factors influencing business conditions in this country.



Five Kerns bowl 'em over!

Kansas City—Under the leadership of E. N. Ronneau, local Assn. Pres., the Kansas City ACM has developed a broad program of activity for the current year, which expects to enlist every member's personal support in gaining maximum value for membership. The local Assn. holds a record in local bowling circles, having sponsored a league for 20 consecutive years. This year 15 teams are included with four of them composed of ladies. Altogether, 90 members are active.

In this connection they have a special "Believe it or not" distinction for one team, the "Roi Tan Kerns," which is composed of five men whose names are the same yet no two of whom are related! In the photograph above they are lined up as follows: Earl, Dept. Mgr., Katz Drug Co.; George, local jeweler and engraver; Ray, Office and Credit Mgr., Niles and Moser Cigar Co. and Chairman of the Kansas City ACM Membership Committee; Jack, Credit Mgr., Cudahy Packing Co.; and Bill, Salesman, Kansas City Fibre Box Co. Their uniforms are a patriotic combination of red, white and blue.



Display shows Assn. services

Pittsburgh—The Credit Assn. of Western Pa. presented the interesting display above recently in a window of the Farmers Deposit National Bank in this city through the courtesy of the bank's officers. The display, telling about the Association's various activities, created considerable favorable comment among local business men.

Association Activities

Shreveport:

Optimism as to the future position of the United States in world trade was expressed by Henry H. Heimann, Exec. Mgr. of the NACM, on October 11, before the banquet session of the Southwest Credit Conference at the Washington-Youree Hotel. The conference was sponsored by the Shreveport Wholesale Credit Men's Assn., and delegates from credit associations in Arkansas, New Mexico, Texas, Oklahoma and Louisiana were in attendance.

Mr. Heimann also addressed the Shreveport Rotary Club luncheon meeting that day. In the course of his talk to the Rotarians he predicted that the election campaign would not have an adverse influence on business but warned that while the present business upturn will continue, "it will be coupled with rising costs and chaotic world conditions, which will test the patience and resourcefulness of business men."

Jackson:

The 21st annual Michigan Conference of credit executive members of local associations in this state was held at the Hotel Hayes in this city on Oct. 25 with the Jackson ACM as host. A full day's program of national and business developments was climaxed in the evening with the address by NACM Exec. Mgr. Henry H. Heimann. The conference was supervised by Association Secretary Lewis O. Atherton and the following individuals: *General Chairman*—W. K. Bunting, Councilor; *Associate Chairmen*—R. K. Van Horn, Vice President, and E. P. Grossman, Director; *Publicity*—L. H. Aubry; *Finance*—B. A. Bettendorf; *Banquet Tickets*—C. H. Sells; *"Greeter-in-Chief"*—G. M. Cowden.

Wichita:

The September membership meeting of the Wichita ACM heard Hon. Henry J. Allen as guest speaker discussing "Can We Make Democracy Work?" Report on the organization of the Wichita Herd, ROZ, was presented by L. L. Daugherty and M. F. Erdman announced the opening of credit classes.

Waterbury:

The October joint meeting of the Connecticut ACM was held in the hotel Elton in this city, being sponsored by the Waterbury ACM. The speaker was William J. Fortune, Asst. Vice Pres. of The National Shawmut Bank of Boston, whose topic was "Waiting for the Fog to Lift." Members of the Bridgeport, Hartford and New Haven Associations were in attendance.

Philadelphia:

The first fall luncheon meeting of the Credit Men's Assn. of Eastern Pa. was held in the Bellevue-Stratford Hotel on Oct. 10 and heard Dr. Howard M. Teaf, Jr., discuss "Developments in Consumer Cooperatives." On Sept. 25 the Golf Tournament and dinner of the local Assn. was held at the Cedarbrook Country Club and the local members are now involved in a weekly bowling session.

Norfolk:

Election of officers featured the October meeting of the Norfolk-Tidewater ACM in the Monticello Hotel. Officers chosen were as follows: *President*—William G. Gornto, National Bank of Commerce; *Vice Pres.*—James D. Galandis, Galandis, Forchas & Douros; *Sec.*—B. V. Reynolds, Frank G. Ennis Paper Co.; *Treas.*—Fred R. Simpson, Hampton Roads Paper Co. The following were chosen for the executive committee: Paul L. Joyner, Swift & Company; W. K. Neville, Old Dominion Tobacco Co.; O. O. Witherspoon, J. S. Bell, Jr. & Co.; J. Warren White, Jr., Old Dominion Paper Co.; and R. A. Morrison, The Texas Company.

Mr. Gornto, the nominee for president, is now treasurer of the association and has been in active service for years. He attended the Credit Congress in Grand Rapids and the first International Credit Congress in Toronto, and has just completed a history of the local association.

Albany:

Dr. Donald A. Laird, psychologist, was the featured speaker at the October dinner meeting of the Eastern N. Y. ACM. His subject was "What the Recent Changes in the American People Mean for the Future Outlook."

Boston:

A double feature speaking program was presented at the Oct. 8 dinner meeting of the Boston CMA with Richard B. Cross of the New England Council talking on "New Horizons for New England Business," and Brace Bennitt of the NACM, whose subject was "Today's Greatest Need."

New York:

More than 400 credit executives from New York, New Jersey and Pennsylvania, were in attendance here Oct. 18-19 at the Hotel Commodore during the 26th annual Tri-State Credit Conference, sponsored by the New York CMA. The early arrivals at the conference were the beneficiaries of an entertainment and social program on the night before the conference opened. On Friday evening, the banquet session heard NACM Exec. Mgr., Henry H. Heimann, speak, as well as a humorous address by Senator Ford. Besides general sessions on Friday and Saturday mornings there were credit group meetings on Friday evening and a special program for visiting ladies under the auspices of the local credit women's group.

Louisville:

A handsome plastic-bound, 36-page booklet, was issued in Sept. by the Louisville CMA. Besides listing the officers, directors, committee members, and showing views of the Association's offices in the building which it owns, the book also presented the membership lists of the Louisville Association and described the activities of its various departments.

Detroit:

The October issue of the Detroit Legal News carried a special article by R. D. Andrew, Pres. of the Detroit ACM, telling about the work of the local and national credit associations. This was one of a series of a similar column being carried by the publication to bring to the attention of the Detroit executives the various association activities carried on in this city.

Atlanta:

An attractive 76-page booklet with gold-stamped cover was recently issued by the Atlanta ACM in the form of its 1940 roster of members. Also included is full information about the various local and national association activities, the local organization's constitution and by-laws and several views of its offices. The publication carries advertisements of 33 local firms.

Worcester:

The Oct. 14 meeting and dinner of the Worcester County ACM was held at the Westminster Tavern, being sponsored by the Gardner-Fitchburg-Athol group. Preceding the meeting members and guests visited the plant of the Heywood-Wakefield Co., the oldest furniture manufacturer in the country, which is represented in the Worcester County ACM by Mark D. Stevens, who this year heads the local organization as President.

Chicago:

The subject of state preference over trade creditors in case of retail occupational tax deficiencies was discussed at the Oct. 9 forum of the Chicago ACM in the Hotel La Salle. The discussion concerned particularly the State of Illinois and the state's side was presented by Robert M. Stowers, of the Illinois Department of Finance, while the Hon. Thomas E. Keane, Illinois State Senator, presented the business viewpoint.

South Bend:

Allen Selby, Credit Manager, Chicago Daily News, was the featured speaker at the October meeting of the South Bend ACM at the Indiana Club. His subject was "Streamlined Credit." Mr. Selby is past National Director of the NACM and was General Chairman of the 1937 Credit Congress.

Milwaukee:

Delegates from the Milwaukee, Green Bay and Oshkosh associations were in attendance on Sat., Oct. 26, at the Hotel Schroader, for the annual Wisconsin State Credit Conference. The day's sessions were varied and interesting and were highlighted at the banquet that evening with a feature address by NACM Exec. Mgr., Henry H. Heimann. Also in attendance at the conference were retail credit executives affiliated with the Milwaukee Association of Commerce.

Chicago:

The annual credit group night of the Chicago ACM was staged on Monday, Oct. 28, featuring a dinner meeting which was addressed by NACM Exec. Mgr., Henry H. Heimann, at the Union League Club. Official representatives of many Chicago organizations were in attendance including the Assn. of Commerce, American Institute of Banking, Export Managers Club of Chicago, Illinois Bankers Assn., Purchasing Agents Assn. of Chicago, Illinois Manufacturers Assn., Executive Club of Chicago, Robert Morris Associates, Chicago Chapter, Northwestern University School of Commerce, DePaul University School of Commerce, Loyola University School of Commerce, University of Chicago, School of Business.

Also seated at the head table were the following financial editors: Royal F. Munger, Chicago Daily News; Robert Vanderpoel, Chicago Herald-American; Phil Hanna, Chicago Journal of Commerce; Thomas R. Furlong, Chicago Tribune.

Syracuse:

The first fall dinner meeting of the Syracuse ACM was honored by the presence of John L. Redmond, Vice President, Crompton-Richmond Co., Inc., New York, and President of the NACM. His subject was "Your Association." A number of Syracuse delegates attended the Tri-State Credit Conference in New York, Oct. 18-19.

Bridgeport:

The Oct. 9 dinner meeting of the Bridgeport credit executives heard Clarence L. Riegel, General Electric Co., New York, who is an NACM Director and President of the New York CMA, discuss "Credit as a Constructive Force."

Hartford:

John L. Redmond, Vice Pres., Crompton-Richmond Co., New York, and Pres., NA CM, was the speaker at the Oct. 29 meeting of the Hartford Association at the University Club. His subject was "The Value of Credit Education."

New Haven:

On Oct. 16 local credit executives heard William M. Wetzel of the Seaboard Commercial Corp. of New York, speak on "Ideal Relationship between the Credit and Sales Department."

Philadelphia:

An interesting innovation was inaugurated by the Credit Men's Association of Eastern Pa., when it staged "Credit Men's Week" from Oct. 21 to Oct. 26. It was announced as open house to the credit fraternity of Philadelphia by Assn. Pres., John T. Brown, Jr., and friends and business acquaintances of credit executives were asked to join the program which included an open credit forum on Monday night, a golf tournament and dinner on Tuesday, the session of the class in Credits and Collections on Wednesday night, and the luncheon meeting at the Bellevue-Stratford Hotel on Thursday noon, at which W. A. Wiedersheim, 2nd, spoke on "Changes in the Law Regulating Government Contracts."

New York:

A release by the Paint and Allied Industries Group of the New York CMA points out that August 1940 witnessed the fifth consecutive month in the New York metropolitan market of decreased liabilities for straight paint store insolvencies— the total decrease for the months of April to August inclusive this year, as against the same period last year, shows nearly a 33⅓ per cent decrease in number of cases and a decrease of nearly 50 per cent in the amount of liabilities involved.

Credit Career

Joseph G. Walsh

Honolulu—We welcome the opportunity of presenting the name of Joseph G. Walsh, who is Credit Mgr. for the Hawaiian Division of the Tidewater Associated Oil Co., a position he has held for over 12 years, and who has been active continually in promoting the aims and objectives of the Honolulu ACM, besides being one of its original founders and a past President of the local organization. Mr. Walsh is a World War Veteran and his appearance in this column is significant in that it represents the first choice for such recognition of a member of the NACM other than those on the mainland.

While President of the local Assn., Mr. Walsh was instrumental in promoting favorable legislation. During the past six years Mr. Walsh has been consistently endeavoring to promote the idea of a uniform credit policy among all local jobbers and set up a very favorable system in his own work toward controlling credits to the numerous service stations and other users of their product.

He has no particular hobby other than his work but he does find time to devote to the American Legion. Mr. Walsh has given freely of his time and labors to the welfare of the Assn. and we feel real proud of him as one of our members.

To Make a Headline, Remember the Deadline:

15th of month preceding publication

SUN	MON	TUE	WED	THU	FRI	SAT
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

Zebraffairs

Dear Fellow Zebras:

This month I would like to introduce to every one of you, your Most Worshipful Divizeb—Western Division. He is Bob Harrell of the General Brewing Corporation, Los Angeles, and some time ago I asked him to jot down and send to me his thoughts on "What it Meant to Bob Harrell to Be a Zebra." He writes as follows:

"When I was initiated into the Royal Order of Zebras I must confess I took the matter all too lightly, thinking of it as something in the way of a lark. Today I realize that the Zebras have become an integral part of my life; something without which I could not happily get along.

"As an active member of the Los Angeles Herd for several years I have come to know the real meaning of fraternity among business associates to the point that they can no longer be called that; they are my friends, some close and very dear to me, all of them loyal, each to the other. Only through the medium of the Zebras could this have come about.

"All of my comparatively short business life has been spent in credit work, but not until I became a Zebra did I have the chance to actively serve the profession of which I am a part. In the Zebras I found the 'inner circle' of the Association with which I had so long been affiliated. Here I found those active members who had the interests of their Association close to heart. and who DID something about it through their efforts to increase the active membership. In this work it has been a real satisfaction to take part. As a Zebra I feel privileged to have been of service—and I have been rewarded a thousandfold by the friendships I have made. They will last."

Fellows, I think that Bob has smacked the true meaning of Zebradom right between the eyes. The great satisfaction that one gets out of the work—the very warm and binding friendships that are made—all have a large bearing on your own individual careers in credit work. So much more of this same sort of feeling would be present if all of us would put forth that extra effort to see a job well done.

It can be done—and IS GOING to be

done this very year. Let's meet the challenge—what do you say?

Zebraically yours,
HERB KELLEY,
Grand Exalted Superzeb.

Tacoma:

The rejuvenated Tacoma Herd held its first meeting Sept. 24 with 30 qualified members, including several Seattle Zebras who assisted in the initiation of three qualified candidates: Carl Panks, Dick Hunt and Gordon Whipple. The meeting was followed by a general stag membership meeting, with dinner preceded by music and singing and followed by entertainment features.

The three new Zebras were presented with the official Zebra watch charm before the entire group. This is but the beginning of an active season of Zebra activities with the express purpose of securing additional members for the Tacoma Association, says Fred Wines, Membership Chairman.

New Orleans:

The annual meeting of the Zebra Herd and election of officers was held Oct. 2 with a majority of the Zebras in attendance. Exalted Superzeb Hugo introduced J. A. Monier, Jr., President of the New Orleans CMA, who spoke briefly on increasing the membership as much as possible by the time of the coming Credit Congress to be held in May, 1941. Exalted Superzeb then selected three captains and the Zebra Herd was divided into three teams. Active work on an extensive membership campaign began immediately and will end Nov. 11. The winning team, that is, the team bringing in three memberships or more, will be guests of the Association at dinner.

Officers of the Herd are: *Exalted Superzeb,* W. J. Hugo; *Most Noble A. of A.,* M. F. Williams; *Royal Jackass,* E. J. Holmann; *Three Horse Power Burro,* J. J. Culver; *Keeper of the Zoo,* M. M. Salaun; *Zebratary,* J. B. Charles.

San Francisco:

At the annual meeting of the local Herd, ROZ, on Sept. 27, the following officers were elected for the ensuing year: *Exalted Superzeb,* Larry Victor, Macmillan Company; *Most Noble A. of A.,* John Hamilton, Schmidt Lithograph Co.; *Royal Jackass,* Claude Kehoe, Tonkin Distributing Co.; *Three Horse Power Burro,* Ralph Rowe, Golden State Co., Ltd.; *Keeper of the Zoo,* John De Golia, Butler Brothers; *Zebratary,* Otis H. Walker, Credit Managers Assn. of Northern and Central Calif.

Promotions

Minneapolis—Marshall A. Frost has succeeded his father, W. O. Frost, as Credit Manager of the Minneapolis Iron Store, with R. P. Ingmundson being named as Asst. Credit Mgr.

Pittsburgh—Floyd A. Ferguson, who served as Grand Exalted Superzeb last year, has been promoted to the Mansfield, Ohio, office of the Westinghouse Elec. & Mfg. Co. Previously he had served with the company in Pittsburgh as General Credit Manager.

A. H. Cunningham, Westinghouse Elec. & Mfg. Co., was made Asst. Treas. and Asst. Sec. of the company.

George Bastyr is now Vice Pres. and Treas. of his company, J. A. H. Junker, Inc.

Kansas City—Joseph D. Powell, formerly Asst. Sec. and Treas., in charge of credits, was elected Vice Pres. in charge of marketing of Skelly Oil Company. His previous credit duties have been taken over by W. J. Sexton, Retail Department, W. H. Carr, Skelgas Division, and C. W. Neve, Wholesale Dept.

Albany—John A. Barnes, who represents the National Commercial Bank and Trust Co. in the Eastern N. Y. ACM, was recently promoted to Asst. Vice Pres. of that institution. He had previously held the post of Asst. Cashier.

Obituary

William B. Layton

Portland—The credit fraternity of Portland, as well as the entire country suffered an irreparable loss on Oct. 8 in the death of William B. Layton, Counsel for the Portland ACM and Associate Counsel for the NACM.

Mr. Layton died of pneumonia at the age of 49. He had returned only a week before his death from Washington, D. C., becoming ill on the return trip. He leaves his wife, Anne, and four children, Mrs. Anne Jeanette Carr, John, William and Richard Layton, a brother, Charles, Portland, and a sister, Mrs. George Green, San Francisco. William is en route home from Princeton University.

Mr. Layton was born in Butte, Mont., January 1, 1891. He attended school there and obtained his law degree at the University of Michigan in 1912. He came to Oregon first in 1910, and was admitted to the Oregon bar immediately after graduating from University of Michigan.

Mr. Layton became Manager of the Adjustment Bureau of the Portland ACM in 1917, serving also as its legal counsel. He resigned as manager a year later because of increasing duties but had served continuously until his death as counsel for the organization. Mr. Layton was appointed assistant counsel for the NACM, five years ago, and had figured prominently in formulating its policy concerning national bankruptcy legislation. Mr. Layton was admitted to practice before the United States Supreme Court in 1938.

Frank G. Smith

Milwaukee—Frank G. Smith, died at his home here, October 15, age 78. Mr. Smith was President of the Milwaukee ACM, 1915-1917, while he owned a paper company bearing his name. He retired in 1924 and because of his activity in the Association, was voted an honorary membership. Mr. Smith will be remembered through his participation in conferences and as an active member of our Legislative Committee.

Creducation

Billings—M. J. Davies, Secy.-Mgr., reports their Ed. Com. is organizing an educational program and plans are being laid for the formation of a Chapter.

Binghamton—Plans are actively under way by the Assn. to launch a new Chapter.

Chattanooga—The Ed. Com. plans to offer a course in Financial Statement Analysis to inaugurate a new Chapter.

Detroit—The second forum session early last month enjoyed a discussion on "Taxes in Credit Management." John L. Jones, C.P.A., gave the introductory remarks and led the discussion.

Fresno—"Economics of Credit & Finance" is being offered to start off the second year of this Chapter. Willis P. Kyle, Jr. who conducted the class last year is again instructor.

Honolulu—The latest word from our furthest-west Chapter was an order for 40 text books to be used in a course in Credits and Collections.

Lubbock, Texas—This Chapter is the third to be organized in cities which do not have local Assns. A course in Credits and Collections is being offered in cooperation with Texas Technological College, under the instructorship of Prof. T. C. Root.

Midland, Texas—Considerable interest has been stirred up in the possibility of organizing a Chapter. Both Lubbock and Midland are in the area served by the Amarillo branch of the Tri-State ACM.

New York—Kenneth H. Campbell of the National staff addressed the October forum meeting. The subject of his talk was "The Future of Our Foreign Trade."

Oklahoma City—Unusual interest is being shown in the Business Law class and educational activities have been expanded by the Chapter this year to include two other classes: Credits and Collections, Public Speaking.

Peoria—A course in Business Law, with Chas. V. O'Hern, Jr. as instructor, initiates educational activities in the newly organized Chapter.

Philadelphia—Chairman H. C. Culshaw announces registration of 35 in a special course in Credits and Collections offered in cooperation with the American Institute of Banking.

Providence—The course in Credits and Collections offered in cooperation with Northeastern University has the honor of being taught by NACM Director Clarence Rison.

Rochester—"Easy Credit Boosts Profits" was the subject of a debate at the October meeting of the Chapter. The discussion leader was Howard Minchin of Requa Elec. Sup. Co. Samuel W. Guggenheim, Treas. of Garson & Wood, as an exponent of a liberal credit policy, was pitted against Paul Dugan, Cred. Mgr. of Timely Clothes, Inc. for the other side of the question.

St. Paul—According to a story in the "St. Paul Pioneer Press" Walter T. Miller, Chairman of the Ed. Com., reports enrollment as being brisk in the classes offered in

cooperation with the University of Minnesota.

Shreveport—Secy-Mgr. John A. B. Smith reports the formation of a new Chapter in cooperation with Centenary College.

Syracuse—A good deal of interest is being shown in the course "Economics in the Modern World." The Chapter is also planning to offer two additional courses, during the autumn semester—Public Speaking and Credit Problems and Management. Sherm Anderson is to teach the latter course.

Wichita—For its first semester the Chapter is offering a course in Business English. For the second semester the Chapter will offer Financial Statement Analysis, both classes to be taught by Stanley Spurrier. Last year the Chapter offered Credits and Collections and Economics; thus in two years time the students will be able to qualify for the Association award.

Worcester—The first meeting of the class in Credits and Collections, in cooperation with Northeastern University, Ext. Div., was held on Oct. 9.

Our Distaff Side

Atlanta:

Organization of a credit women's club affiliated with the Atlanta ACM was announced recently. It will operate under the name "The Credo Club." Following adoption of Constitution and By-Laws the following officers were elected to lead the group in developing plans for active participation in the NACM Credit Congress at New Orleans next May: *President*—Marjorie Jennings, Atlanta Oak Flooring Co.; *Vice Pres.*—Frances Scott, American Associated Companies; *Corres. Sec.*—Essie Justice, Fidelity Fruit & Produce Co.; *Recording Sec. and Treas.*—Carmen Dobbs.

San Francisco:

Following the traditional custom, Credit Women's Clubs of San Francisco, Los Angeles and Fresno gathered in a state conclave in this city on September 14-15, with the local club as host. Sixteen credit women from Los Angeles and Fresno were in attendance for the two-days sessions which included a Saturday afternoon reception, after which about 40 guests and local credit women enjoyed dinner at the Continental Club on Treasure Island. The visitors enjoyed the Golden Gate Exposition during the day.

Sunday opened with an informal breakfast at which club activities and the importance of increased membership in the coming year were outlined. Talks at the breakfast meeting were made by Fresno President Thelma Logan, Los Angeles President Vivien Barton, and San Francisco President Idelle McDaniel. The Conference was pleased to have in attendance Florence Banks of the Los Angeles Soap Company, who is a Director of the Los Angeles ACM as well as Past Chairman of the National Credit Women's Executive Committee.

New Orleans:

Since the organization of the New Orleans CWC in May, 1940, the membership has grown from 18 to 32, with seven honorary members, making a total of 39. Various programs have been sponsored by the Entertainment and Program Committee, the Educational and the Publicity Committee.

The Educational Committee held a spelling bee at the July meeting. J. A. Monier, Jr., President, New Orleans CMA, addressed the August meeting, laying particular stress upon the obligations and duties of each club member. At the September meeting we heard Stanley C. Arthur, author of such books as "Old New Orleans" and "Audubon, An Intimate Life of the American Woodman."

On September 26 the Entertainment and Program Committee sponsored our first dance on the S. S. President, netting the club $48.31 and bringing our total fund up to $78.31, within five months of the club's beginning. A rummage sale was held October 26.

Mrs. Charles Grinnell Cobb, wife of the late Mr. Cobb, and an honorary member, presented the club with one of her own paintings, depicting the Mission of San Juan Capistrano. Mrs. Cobb suggested that the picture be raffled to increase the club's treasury. Mrs. E. Pilsbury, our first honorary member, is responsible for our attendance award, which we have called the Edna Pilsbury Attendance Prize, and she

donates either a cake or a plant at each meeting, which is drawn for by the members. Another honorary member is Mrs. Fred L. Lozes, wife of our Secretary-Manager, who has offered to donate a gift bond for any and all contests put over by the club. Mrs. Geo. P. Bywater (Nedra Pilsbury) is acting as our Parliamentarian, and our President is Inez Johnson, under whose capable leadership, and considering the enthusiasm and interest displayed by the members, it will not be long before New Orleans is ranked among the foremost Credit Women's Clubs.

Los Angeles:

In order to bring the name of the local group in line with others throughout the country, the women's division of LACMA voted at its Sept. 16 meeting to change its name to the Credit Women's Club of Los Angeles.

On Oct. 21 the group held a Halloween Party in the Chapman Park Hotel. The local Alpha Nu organization met on Oct. 7.

Louisville:

The members of the Ladies' Group of the Louisville CMA met to enjoy a gypsy party and summer outing at Jacobs Hill Lodge on Sept. 23. It was announced that Alleen Harrison of the Tafel Electric Co., a member and former president of the group, has been elected National Chairman of the ladies groups. Miss Harrison, who has taken a very active interest in both the local and national ladies groups, gave a brief account of the plans and aims of the national organization.

Flora Meads, President of the Louisville Chapter, NIC, announced the sponsoring of the Helen Pouch Scholarship by the Chapter. This scholarship was awarded by vote to Mamie Stuecker of Buchart Apparel, for the coming year. The Group plans to award this scholarship to a deserving member each year.

An account of the International Credit Congress held in Toronto, Canada, was given by Flora Peterworth, past President of the Group. After the entertainment, the meeting closed with community singing and a marshmallow roast.

New York:

The New York CWG has adopted a new Constitution and By-Laws, bringing to a successful conclusion the conscientious work of a special committee headed by Marion E. King, Hudnut Sales Co. Until 1936 the group had functioned informally without a constitution. Then the original constitution of the group was adopted. After a three years' test, and with the steady growth of the membership in the last few years, some changes and a strengthening of some of the articles, were deemed advisable. To other groups interested in seeing it, copies will be gladly furnished.

At the New York Tri-State Conference, Oct. 18-19, the New York CWG entertained the visiting ladies at luncheon on Saturday, Oct. 19, at Hampshire Cottage, in Hampshire House, overlooking Central Park.

Grand Rapids:

The first meeting of the Grand Rapids CWC was a Good Will Picnic, September 21, at the summer home of Irene Coye Spraker, at Macatawa Park, Lake Michigan. The October meeting at the Y. W. C. A. was attended by 46 members from Grand Rapids, Greenville and Belding. Iva Belden, Registrar of Grand Rapids Junior College, gave an illustrated travel talk, "Looking at Our Southern Neighbors from the Air." Her colored movies and intimate, interesting discussion transported the group to the scenes she had seen.

A number of club members attended the Michigan State Credit Conference in Jackson, Friday, October 25. During National Business Women's Week, October 7-12, Edytha Carpenter, Public Affairs Chairman, arranged for our group's participation in the activities of the Business & Professional Women's Clubs. This culminated with a big dinner meeting at the Women's City Club, October 12, where the speaker, Viola Lindbom Scheffer, a St. Paul, Minn., attorney, spoke on the subject "Making Democracy Work—Vote Intelligently."

Our November meeting will feature a talk by Mrs. Edward Hoekzema of Grand Rapids on "The History of Frozen Foods." The December meeting will be a Christmas Party, and the program committee is working on some interesting plans for January and February. Membership Chairman Mary Orth is working with the Association Promotion Manager, Harold Blair, to swell the membership, and has set her goal for 100 members for 1940.

Low Income Families Buy Most on Time

Evidence that the use of charge accounts is heavily concentrated among the low-income families of the country, is offered by the National Bureau of Economic Research in a report it has just brought from the press under the title *The Pattern of Consumer Debt, 1935-36.*

Data for the study were provided in schedules of income and expenditure obtained from 60,000 families scattered over 30 states in a wide variety of urban, village and rural areas. Measures of the use of charge accounts were made possible by asking whether the outstanding charge account debts of the family had increased or decreased during the year.

"From our sample data," says the report, "we have estimated that over 2,700,000 families, or more than 11 percent of all the non-relief families in the United States, had a net change in charge account debt during 1935-36. The frequency of such debt change varied according to income level; it was greatest in the lowest-income group and declined gradually as income rose.

"More than one out of six families with annual incomes under $500, and almost every seventh family in the $500-$750 class were indebted for charge account purchases in this period. Of the families with incomes of $1,000 to $2,000, approximately one out of ten was indebted: of those with incomes between $2,000 and $5,000, the proportion ranged from less than one out of eleven to one out of fourteen; and of families with incomes of $5,000, only one in fifteen was in debt for charge purchases.

Poorer Families Use Charge Accounts

"Of the families indebted for charge account purchases in 1935-36, almost 90 percent had incomes of less than $2,500 a year and 65 percent fell below the $1,500 level. These two groups accounted for 85 percent and 67 percent respectively of the total net increase of $112,000,000 in charge account outstandings attributed to non-relief families."

The report from which these conclusions are drawn was prepared for the National Bureau by Miss Blanche Bernstein, a member of the National Bureau's financial research staff. It is

one of a series of reports on consumer instalment financing being prepared under the general direction of Professor Ralph A. Young, of the National Bureau and the University of Pennsylvania, but differs from the other reports in that it considers some types of consumer debt not repayable in instalments.

The statistical materials used for the present report were obtained from special tabulations of data compiled in the Study of Consumer Purchases made by a number of Federal agencies acting in cooperation. Because the schedules used give information only on increases or decreases in family debts, they do not provide a complete picture of all family debts. Many families would have had charge accounts at some time during the year which were not reflected in net changes as between the beginning and the end of the year.

The figures may be taken, however, as giving accurate minimum totals for families using consumer credit of this type. The author of the report also points out that the figures are restricted to non-relief families and so give no clue to the use of credit by relief families or by single individuals.

Variations Among Communities

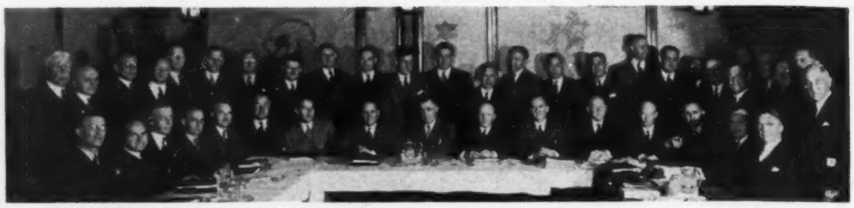
Continuing her analysis, the author points out that "the extent of use of charge account credit differed from one type of community to another. The highest frequency (14 percent) was noted for families living in villages; these were followed by residents of small cities (13 percent). Of the families living in large cities and on farms approximately 12 percent were indebted for charge purchases, and of families in middle-sized cities less than 10 percent.

"These data indicate that charge accounts are an important means of consumer financing not only for families whose income are received weekly or monthly but also for those whose income is concentrated during a few months of the year. Particularly striking is the fact that this type of indebtedness was much less common in metropolitan centers than in any other type of community only 3 percent of the metropolitan families changed the amount owed for charge account purchases in the period under discussion.

The report also finds that different regions of the country vary widely in their use of charge accounts. This type of credit, it states, "was used most extensively by non-relief families in the West and South. In the Mountain and Plain region one out of six families was indebted for charge account purchases, in the South less than one out of seven, and in the Pacific region just about one out of seven, but in New England and the North Central region only one family in twelve had a change in this type of indebtedness for the period under discussion."

Although a large number of families made use of charge accounts, the net increase in purchasing power resulting from the fact that aggregate debts increased during the year studied was very small. For particular groups of families, however, the net increase in purchasing power thus achieved was important.

"The net addition to income resulting from the use of charge account credit was almost insignificant" for non-relief families as a group, says the report. "It amounted to less than three-tenths of one percent of the aggregate income for nonrelief families during 1935-36.



NACM Directors hold sessions in New York

Just before the close of the first day's session at the annual meeting of the Board of Directors of the NACM, held in New York, October 16-19, at the Hotel Vanderbilt, the photographer had those present pose for this photograph. The group includes present officers and directors as well as a number of past national presidents and directors. Also present were officials of some of the NACM affiliated local Associations.

Seated l. to r. are the following: L. Motz, Fred L. Andrews, R. W. Watson, Fred W. Edwards, J. G. Holland, A. L. Podrasnik, Paul W. Miller, Bruce R. Tritton, R. C. Wilson, John L. Redmond, Henry H. Heimann, J. E. Sugden, Jr., David A. Weir, Chad Calloway, Jr., W. A. Bruckheiser, and Chas. A. Wells.

Standing from l. to r. in this group are the following: Charles E. Meek, P. M. Haight, Ernest I. Kilcup, Joseph Rubanow, C. Evan King, Robert L. Griffiths, Lawrence Holzman, J. A. Monier, Jr., C. B. Rairdon, W. E. Woollenweber, R. M. Rice, E. L. Blaine, Jr., Harry J. Offer, Oscar S. Dietz, Thomas W. Peck, Paul A. Pflueger, Clarence L. Riegel, R. L. Simpson, L. E. Phelan, S. J. Whitlock, George J. Gruen, Paul Fielden, William Fraser, Curtis R. Burnett, William H. Pouch, and Jno. E. Norvell.

Past NACM Presidents greet John L. Redmond

On the occasion of the October meeting of the National Board of Directors, there was a rather thorough representation of past national presidents in attendance. The photographer caught the group above at the end of the first day's session as they were gathered around President John L. Redmond of New York, who is in the center of the front row. The others in the group reading l. to r. are: P. M. Haight, Charles E. Meek, Ernest I. Kilcup, Henry H. Heimann, who is now the Association's Executive Manager, Jno. E. Norvell, and George J. Gruen.

In the rear l. to r. are: S. J. Whitlock, William Fraser, C. R. Burnett, Wm. H. Pouch, Chas. A. Wells, and Paul Fielden.

The Business Thermometer:

Wholesale collections fell in September

Sales of wholesalers, based upon reports from 3,024 firms representing all parts of the country, were 5.1 per cent smaller in September than during the same month a year ago, it was announced by William L. Austin, Director, Bureau of the Census. This fall in wholesale sales from last September follows a period of 21 months in each of which sales had exceeded those of the comparable month of the earlier year. Last month there had been reported, for August, a reduced rate of acceleration in wholesalers' sales, August 1940 being 5.7 per cent over August 1939, in contrast to the 10.5 per cent gain registered in July and the 7.7 per cent gain reported for the first half of the year.

In connection with this decrease in September sales it may be noted that an unusually high gain in sales, 16.5 per cent, was reported last year over September 1938. Retail sales of 24,239 independent stores in September were 2.2 per cent above September 1939 according to another monthly survey of the Bureau of the Census.

A gain of 6.0 per cent was recorded for the first 3 quarters over the same 9 months of 1939 by 2,743 wholesalers. For this period, 32 of the 36 kinds of business for which data are shown in the table on page 2, reported sales to be higher than for the first 9 months of 1939. Only four recorded decreases. The nine-months data show metals, industrial supplies, machinery, equipment and supplies except electrical, heavy hardware, and electrical goods to be the sales leaders, a trend exhibited in the monthly data in earlier reports.

Collections on accounts receivable during September 1940 for 2,578 wholesalers fell from the level of the previous month of 1940 and the same month in 1939. The collection ratio in September 1940 was 71 while in September 1939 and August 1940, these same establishments reported 74 per cent of accounts receivable were collected. These collection ratios usually remain relatively constant. It may be noted, however, that September is the fourth month this year recording slower collections than during the comparable month of 1939. In 1939 only one month, December, fell below 1938. Accounts receivable were 6.7 per cent greater on September 1, 1940 than at the same time in 1939 and 5.8 per cent greater than on August 1, 1940.

Manufacturers' orders, shipments at '40 record

New orders received by manufacturers during September jumped to a new high for the year, the Department of Commerce reported in October. September shipments also reached a new peak for 1940. The spurt in new business, however, lifted totals of unfilled orders more than 15 per cent above the already high August level.

The department's new order index for all industry stood at 165 for September (January, 1939, equalled 100), approximately equal to the peak of the buying wave last autumn. New orders rose 25 per cent above the heavy August volume, durable goods industries setting the pace with a 35 per cent gain. But incoming business in the non-durable goods groups also rose very substantially — increasing one-fifth.

Large gains in shipments were also reported by both the durable and non-durable goods industries, demonstrating the general character of the advance. Entirely apart from the sharp seasonal rise in factory shipments of automobiles, deliveries of other durable goods were 12 per cent higher than in August, and for the first time this year the 1939 peak. Non-durable goods gains were almost as striking, reaching the high of September, 1939.

Manufacturers' inventories during September showed no significant rise. The index for all industries increased from 110.4 at the end of August to 111.8 at the end of September (December 31, 1939, equaled 100), but almost all of this increase was a seasonal expansion in stocks in the automotive industry. A slight rise in the index for other durable goods was approximately offset by a decline in non-durable goods inventories.

Despite the high shipment rate, the September rise in unfilled orders brought them to a point almost 40 per cent higher than the average during the first year of the war. Lack of general inventory accumulation, Commerce Secretary Jones explained, indicates that increased retail buying and investment by industry in new plant and equipment are keeping manufacturers' goods flowing.

Index of Value of New Orders Received by Manufacturers (January 1939=100)

Industry	1940								1939			
	Aug.	July	June	May	Apr.	Mar.	Feb.	Jan.	Dec.	Nov.	Oct.	Aug.
TOTAL, ALL INDUSTRIES	129.5	127.2	132.9	121.3	110.2	105.5	100.5	104.4	110.0	119.1	148.4	104.5
Total, durable goods	162.8	158.5	156.9	141.0	118.2	112.3	103.2	106.2	114.0	140.7	203.3	106.9
Total, non-durable goods	108.1	107.1	117.6	108.6	105.0	101.0	98.7	103.2	106.7	105.2	113.2	102.9
Durable goods												
Iron and steel and their products	139.8	151.2	161.3	144.6	104.1	101.1	81.1	89.5	115.2	152.2	232.6	102.3
Electrical machinery	207.6	190.2	168.0	140.9	130.5	128.7	129.3	122.9	114.6	139.6	148.8	94.5
Other machinery	166.5	153.6	158.7	141.4	132.9	125.2	118.8	118.4	117.3	125.4	140.7	101.6
Other durable goods	179.0	161.5	143.5	134.9	123.4	113.0	114.9	116.0	109.1	135.8	231.7	124.2

Note: This index is constructed on a daily average basis excluding Sundays and principal holidays.

WHOLESALERS' sales and inventories, September 1940

Kind of Business	Dollar Sales				Sales For 9 Mos. 1940			End of Month Inventories (Cost)				Stock-Sales Ratios*		
	Number of firms reporting sales	Percent change Sept. 1940 vs. Sept. 1939	Percent change Sept. 1940 vs. Aug. 1940	Sept. 1940 (000's)	Number of firms reporting sales	Percent change from 9 Mos. 1939	9 Mos. 1940 (000's)	Number of firms reporting stocks	Percent change Sept. 1940 vs. Sept. 1939	Percent change Sept. 1940 vs. Aug. 1940	Sept. 30, 1940 (000's)	Sept 1940	Sept 1939	Aug. 1940
Automotive supplies	210	+ 3.6	+10.2	4,471	173	+14.1	29,015	103	+ 4.8	— 0.1	4,750	217	219	224
Chemicals (industrial)	23	—17.7	+ 0.1	883	13	+ 4.6	5,464	16	+ 8.5	— 1.5	585	88	66	89
Paints and varnishes	35	— 5.2	—2.9	708	29	+ 5.1	4,854	16	+ 7.0	— 0.8	978	195	179	189
Clothing and furnishings, except shoes	49	+21.3	+17.6	4,004	46	+ 4.2	21,142	26	—4.5	— 4.5	1,179	129	131	146
Shoes and other footwear	36	— 7.4	—17.7	11,624	35	— 5.2	91,348	24	+ 3.1	—10.5	6,080	104	95	93
Coal	11	— 2.7	+14.3	3,144	7	+ 8.7	22,224	—	—	—	—	—	—	—
Drugs and sundries (liquor excluded)	136	— 0.4	+ 6.0	18,367	127	+ 3.4	148,324	104	+ 3.6	+ 3.9	26,902	193	187	198
Dry goods	112	— 8.3	+ 1.9	13,721	107	+ 0.5	94,216	63	+ 5.3	— 2.3	19,479	197	172	208
Electrical goods	372	+ 5.9	— 4.6	22,738	336	+17.2	197,621	328	+19.6	+ 1.4	26,149	125	111	118
Dairy and poultry products	14	— 9.1	—10.4	1,493	12	+ 6.7	8,956	6	+20.8	+ 3.5	849	108	74	96
Fresh fruits and vegetables	83	— 3.6	—18.1	3,337	72	+ 3.7	21,183	55	+ 4.7	+11.0	536	35	31	27
Farm supplies	9	—10.8	+ 6.2	273	8	— 4.8	4,946	—	—	—	—	—	—	—
Furniture and house furnishings	77	— 9.0	+16.9	5,845	43	+ 3.9	25,535	48	— 0.3	— 2.8	8,863	202	182	245
Groceries and foods, except farm products	668	—20.0	+ 1.5	49,641	634	+ 0.4	411,919	421	+ 0.5	+ 4.0	47,988	149	121	146
Full-line wholesalers'	340	—20.6	+ 2.2	22,115	327	+ 0.8	184,032	197	+ 1.2	+ 4.1	23,243	162	130	160
Voluntary-group wholesalers	187	—19.3	0.0	17,200	174	— 1.2	137,317	137	— 0.8	+ 3.9	17,645	167	135	161
Retailer-cooperative warehouses	23	—24.0	+ 3.2	3,287	21	— 0.8	27,408	12	— 2.1	+ 5.2	2,865	127	101	125
Specialty lines	118	—18.3	+ 2.1	7,039	112	+ 3.2	63,162	75	+ 3.9	+ 3.1	4,235	84	70	82
Confectionery	22	+ 5.1	+ 5.9	597	22	+ 8.9	4,841	11	+ 4.0	+13.0	208	80	78	76
Meats and meat products	95	— 4.2	— 5.3	19,686	92	+ 4.1	167,192	68	+ 5.2	— 7.0	4,692	48	45	49
Beer	37	—10.1	—21.1	444	29	+ 1.4	3,279	25	+25.3	— 7.1	104	36	25	29
Wines and liquors	29	— 4.3	+39.4	3,865	23	+ 5.2	26,459	22	+28.7	+ 3.1	6,473	184	139	251
Liquor department of other trades†	42	—12.6	+34.2	3,637	33	+13.0	22,440	39	+30.8	— 0.4	8,597	243	153	332
Total hardware group	439	+ 5.8	+ 4.7	37,758	418	+14.1	274,762	283	+12.9	— 1.6	58,472	220	212	235
General hardware	151	+ 2.5	+ 6.7	21,858	142	+11.5	157,409	96	+13.1	— 2.7	40,587	251	232	274
Heavy hardware	24	+12.1	+ 9.5	2,060	22	+18.8	15,643	17	+21.6	+ 0.7	3,553	192	178	209
Industrial supplies	146	+ 8.4	— 2.2	8,070	140	+19.9	62,859	97	+ 9.8	+ 0.8	10,246	187	201	184
Plumbing and heating supplies	118	+13.8	+ 6.1	5,770	114	+14.2	38,851	73	+12.4	+ 1.8	4,086	135	135	144
Jewelry	47	— 0.5	+54.5	3,255	46	+15.4	15,987	27	+ 5.6	+ 4.7	4,238	196	181	314
Optical goods	30	+ 5.2	+ 8.7	262	8	+ 7.4	707	13	+ 6.1	+ 1.8	174	150	153	161
Lumber and building materials	36	+14.9	+ 0.7	3,007	34	+11.1	21,300	25	+ 6.2	— 0.9	2,511	109	118	111
Machinery, eqpt. & supplies, except electrical	55	+ 8.6	—11.4	2,217	53	+19.8	18,620	32	+ 6.3	+ 2.9	3,601	246	233	198
Surgical equipment and supplies	33	+14.3	— 4.9	705	32	+ 8.4	6,060	20	+ 4.1	0.0	906	176	179	169
Metals	24	+15.7	+ 2.1	2,250	22	+20.8	16,684	14	+24.2	— 3.6	3,019	206	182	222
Paper and its products	93	— 5.5	+ 2.6	5,759	88	+6.8	47,729	48	+ 8.0	+ 0.1	5,105	158	141	166
Petroleum	8	— 3.2	+ 5.7	960	7	+ 6.6	7,968	6	+17.8	— 0.8	523	55	45	58
Tobacco and its products	160	— 3.7	— 8.1	13,456	158	+ 4.8	121,060	65	+14.4	— 3.0	5,034	68	57	64
Leather and shoe findings	10	—15.1	+11.6	135	8	+ 1.0	1,148	—	—	—	—	—	—	—
Miscellaneous	29	+ 5.2	+ 5.1	5,537	28	+ 3.8	38,029	30	+19.0	+ 0.7	10,042	140	120	154
Total	3,024	— 5.1	+ 1.0	$243,779	2,743	+ 6.0	$1,881,012	1,938	+ 9.2	+ 0.3	$258,037	157	138	106

*These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. — —Insufficient data to show separately.
†Chiefly of the Wholesale drug trade. 'Not affiliated with voluntary or cooperative groups.

WHOLESALERS' accounts receivable and collections, September 1940

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		September 1940	September 1939	August 1940	Percent change September 1940 vs. September 1939	Percent change September 1940 vs. August 1940	As of Sept. 1, 1940 (000's)
Automotive supplies	157	60	61	62	+ 9.6	+ 2.7	4,008
Chemicals (industrial)	23	71	74	68	— 4.3	— 1.8	1,241
Paints and varnishes	34	46	45	45	+ 4.5	— 0.7	1,429
Clothing and furnishings, except shoes	47	40	39	37	+ 3.6	+43.4	6,098
Shoes and other footwear	32	38	37	36	— 4.5	+37.1	11,909
Coal	11	78	73	70	+ 5.1	+ 1.2	3,959
Drugs and sundries (liquor excluded)	120	66	69	69	+ 3.8	+ 2.8	21,026
Dry goods	99	42	43	45	+ 1.8	+20.6	22,871
Electrical goods	359	69	70	73	+15.0	— 1.6	31,018
Dairy and poultry products	13	116	127	120	+ 6.7	+ 2.7	1,197
Fresh fruits and vegetables	60	140	150	145	+ 3.6	— 7.2	1,066
Farm supplies	7	68	66	70	+ 0.3	— 8.6	317
Furniture and house furnishings	67	51	50	49	+ 3.2	+ 4.4	8,711
Groceries and foods, except farm products	538	94	107	96	— 0.4	+ 0.1	40,278
Full-line wholesalers	261	86	100	88	+ 1.8	+ 1.1	18,005
Voluntary-group wholesalers	159	97	105	101	— 4.9	— 1.4	13,854
Retailer-cooperative warehouses	21	157	189	158	— 3.4	+ 3.4	1,884
Specialty lines	97	90	106	90	+ 4.3	— 0.1	6,535
Confectionery	15	71	78	69	+11.4	— 0.5	370
Meats and meat products	80	160	173	165	+14.1	+ 6.4	11,868
Beer	16	88	103	113	+11.8	— 8.9	133
Wines and liquors	25	70	77	69	+10.3	+10.5	4,155
Liquor department of other trades	34	76	85	68	+13.1	— 5.0	3,661
Total hardware group	410	57	56	58	+13.2	+ 4.9	52,324
General hardware	137	50	51	51	+12.8	+ 4.5	32,003
Heavy hardware	23	77	70	76	+ 4.7	+ 0.6	2,368
Industrial supplies	134	71	68	75	+17.1	+ 7.1	9,957
Plumbing and heating supplies	116	62	59	64	+12.6	+ 5.2	7,996
Jewelry	38	20	20	21	+23.9	+12.7	5,537
Optical goods	23	57	54	54	+ 2.0	+ 3.4	305
Lumber and building materials	35	72	70	74	+10.1	+ 4.4	3,960
Machinery, equipment and supplies, except electrical	47	52	51	56	+16.7	+ 8.6	3,257
Surgical equipment and supplies	32	51	48	52	+ 1.4	— 0.6	1,283
Metals	23	76	78	81	+18.3	+ 2.5	2,691
Paper and its products	80	56	56	56	+ 3.1	+ 3.0	8,597
Petroleum	6	137	131	130	— 5.0	+ 5.7	591
Tobacco and its products	113	127	129	135	— 0.6	— 1.8	8,334
Leather and shoe findings	9	39	37	39	— 5.8	— 1.6	180
Miscellaneous	25	94	96	99	+ 6.5	+12.7	4,434
Total	2,587	71	74	74	+ 6.7	+ 5.8	$266,808

*Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.

WHOLESALERS' sales and inventories, by geographic divisions, September 1940

Geographic Division / Kind of Business	Dollar Sales				Sales For 9 Months 1940			End of Month Inventories (Cost)				Stock-Sales Ratios*		
	Number of firms reporting sales	Percent change Sept. 1940 vs. Sept. 1939	Percent change Sept. 1940 vs. Aug. 1940	Sept. 1940 (000's)	Number of firms reporting sales	Percent change from 9 Mos. 1939	9 Mos. 1940 (000's)	Number of firms reporting stocks	Percent change Sept. 1940 vs. Sept. 1939	Percent change Sept. 1940 vs. Aug. 1940	Sept. 30, 1940 (000's)	Sept. 1940	Sept. 1939	Aug 1940
New England	183	−3.0	+1.7	$14,125	163	+8.5	$117,235	125	+13.9	+0.7	$12,016	115	99	118
Drugs and sundries (liquor excluded)	7	+5.6	+6.9	871	7	+6.9	7,005	6	−1.0	+0.9	1,183	159	170	167
Electrical goods	33	+0.7	−3.5	1,419	31	+14.3	12,160	29	+17.7	+4.9	1,802	132	112	121
Groceries and foods, except farm products	28	−19.0	−0.4	2,185	27	0.0	19,115	15	+9.6	+5.4	1,142	150	108	141
Meats and meat products	7	−1.0	−10.1	2,330	7	+12.7	21,392	7	+12.4	−0.9	671	29	25	26
Industrial supplies	19	+16.4	+5.8	673	18	+27.6	5,313	14	+17.0	+1.4	1,344	237	240	252
Plumbing and heating supplies	8	+11.9	+21.1	235	8	+10.5	1,487	4	+16.0	0.0	378	222	201	264
Tobacco and its products	14	+0.1	−12.3	1,702	14	+7.4	15,919	5	+4.4	−1.5	191	66	60	60
Middle Atlantic	693	−2.0	+3.4	57,498	623	+7.1	426,182	423	+13.8	−0.2	50,273	137	118	145
Automotive supplies	29	+6.6	+1.8	729	24	+16.7	4,610	19	−0.3	+1.2	1,172	225	250	148
Clothing and furnishings, except shoes	22	+25.3	+19.2	3,244	21	+6.5	16,834	9	−6.3	−8.1	591	113	114	228
Shoes and other footwear	9	−7.7	−9.7	905	9	+1.1	6,894	5	−1.2	−7.2	1,113	145	135	141
Drugs and sundries (liquor excluded)	22	−4.6	+7.7	3,932	20	+0.9	30,514	18	+5.3	+4.8	3,747	145	131	150
Dry goods	46	−4.3	+4.9	3,779	45	+3.9	29,386	24	+1.0	−1.3	4,046	201	190	241
Electrical goods	79	+12.6	−4.7	4,507	68	+24.9	41,000	67	+12.3	+2.2	4,467	108	111	101
Fresh fruits and vegetables	22	+3.3	−19.4	1,659	15	+2.2	3,179	12	−1.2	+55.6	84	26	26	16
Furniture and house furnishings	27	−10.8	+28.1	1,736	13	+9.1	4,936	18	+6.0	+0.3	2,129	158	130	200
Groceries and foods, except farm products	97	−19.4	+1.6	6,429	93	−0.1	54,011	47	−0.4	+2.2	4,531	139	115	136
Meats and meat products	23	−3.5	−9.7	5,249	22	+4.1	46,318	18	+1.4	−9.3	778	49	45	47
Beer	12	−10.3	−27.3	157	10	−0.6	1,317	7	+35.3	−17.9	23	25	16	21
General hardware	33	0.0	+12.1	2,370	32	+8.1	18,264	17	+6.3	−4.4	3,390	259	256	307
Heavy hardware	12	+12.5	+8.0	1,544	10	+15.3	11,816	11	+23.3	+0.9	3,012	198	181	213
Industrial supplies	40	+15.3	−1.7	1,866	40	+29.1	15,531	30	+8.0	−0.6	2,634	173	190	170
Plumbing and Heating supplies	47	+9.2	+8.9	1,477	45	+16.6	9,232	32	+12.3	+2.8	1,181	121	119	127
Jewelry	14	−16.7	+94.9	846	13	+12.5	3,955	9	+13.1	+2.3	1,176	193	124	383
Optical goods	13	+1.9	+10.0	110	5	+8.5	523	5	−3.2	0.0	92	196	211	219
Lumber and building materials	8	+8.4	+7.1	1,042	8	+11.7	7,655	4	+6.7	−2.7	539	79	80	92
Paper and its products	31	−5.5	+0.9	2,351	31	+9.0	21,108	17	+10.5	−0.1	2,581	155	132	157
Tobacco and its products	47	−4.8	−11.0	5,364	47	+4.1	48,393	25	+20.2	−8.5	2,895	66	52	63
East North Central	577	−3.5	+2.3	45,110	518	+8.4	337,491	370	+7.8	+0.9	48,756	153	140	156
Automotive supplies	52	+4.4	+2.4	808	44	+11.5	5,333	30	+14.1	+2.0	1,305	222	202	227
Paints and varnishes	13	+0.6	−1.3	312	11	+2.6	1,880	6	+9.6	+5.8	344	139	126	127
Clothing and furnishings, except shoes	11	+1.5	+5.0	337	10	−7.5	2,031	7	−10.9	−1.3	294	143	171	151
Drugs and sundries (liquor excluded)	24	+1.4	+7.2	3,114	24	+2.2	26,048	16	+4.6	+5.2	3,629	166	161	172
Dry goods	7	−8.3	+13.0	731	6	+4.9	4,596	5	+2.7	−4.9	1,289	182	131	219
Electrical goods	72	+5.9	−6.1	5,339	63	+15.6	44,764	64	+16.9	+3.1	5,941	131	120	119
Fresh fruit and vegetables	11	−8.2	−26.8	267	11	+3.0	3,388	8	−10.5	+8.5	102	60	58	45
Furniture and house furnishings	7	+1.1	+11.7	440	5	+16.0	2,759	5	+9.0	+1.2	665	172	158	191
Groceries and foods, except farm products	109	−19.6	+3.3	10,238	99	+0.7	77,340	66	+2.1	+4.4	9,355	151	122	151
Meats and meat products	25	−1.9	−3.6	3,626	23	+5.4	25,658	22	+1.2	−11.2	1,791	54	51	59
Beer	11	−16.8	−25.0	144	11	−1.7	1,319	10	+10.5	0.0	42	32	24	24
General hardware	23	+1.8	+8.5	5,521	21	+18.0	41,951	18	+8.1	−3.6	12,005	230	214	258
Industrial supplies	29	+26.4	−7.6	2,013	27	+33.9	14,799	19	+4.6	+2.7	2,276	136	168	120
Plumbing and heating supplies	17	+13.3	+9.5	1,250	16	+11.9	18,226	9	+14.8	+0.8	1,042	156	157	171
Jewelry	15	+5.7	+37.4	1,257	15	+12.2	6,263	7	−4.6	+5.7	1,071	169	208	257
Machinery, eqpt. & supplies, except elec.	12	+32.1	0.0	523	11	+18.3	3,548	7	+5.6	+1.2	283	119	127	114
Surgical equipment and supplies	8	+8.0	−6.7	376	8	+12.8	3,305	6	+6.1	−0.2	485	145	149	136
Metals	10	+8.0	+5.1	1,166	9	+16.5	7,785	5	+31.9	−3.5	1,833	254	200	276
Paper and its products	22	−4.2	+2.8	1,658	21	+2.8	13,628	11	+12.1	+6.9	804	139	124	141
Tobacco and its products	41	−5.0	−5.7	2,787	40	+6.7	24,833	15	+14.8	+12.2	799	63	53	53
West North Central	338	−8.1	−0.8	35,935	308	+2.2	284,287	238	+9.9	0.0	45,383	169	144	167
Automotive supplies	21	−4.2	+5.0	529	16	+11.2	3,788	10	+6.2	−4.4	652	193	174	211
Drugs and sundries (liquor excluded)	16	−1.4	+7.7	2,041	16	+1.0	16,796	14	+4.4	+6.5	3,340	198	189	199
Dry goods	8	−9.4	−5.7	4,323	8	−2.5	28,985	7	+5.5	−1.4	7,768	184	158	175
Electrical goods	42	−7.8	−7.3	2,103	37	+9.2	18,972	39	+24.7	−3.2	2,715	134	100	129
Fresh fruits and vegetables	11	−15.9	−7.4	338	11	+4.0	3,716	9	−5.0	+1.5	133	50	43	46
Furniture and house furnishings	10	−14.0	+22.2	1,482	8	+3.4	10,708	8	−7.5	−3.4	3,287	226	211	287
Groceries and foods, except farm products	91	−25.0	+4.0	6,439	88	−3.1	53,939	69	+0.7	+6.1	9,553	179	139	175
Beer	8	−3.7	−13.3	52	4	+14.4	230	4	+14.3	−20.0	16	52	40	56
General hardware	11	+9.3	+2.5	3,554	10	+16.9	20,667	10	+35.7	−0.3	8,441	250	202	255
Industrial supplies	13	+18.6	+9.2	567	12	+6.2	3,818	7	+11.4	+0.8	617	212	214	214
Plumbing and heating supplies	10	+4.7	+3.1	670	10	+11.1	4,768	5	−5.6	−7.4	286	114	117	123
Paper and its products	10	−14.9	−18.6	263	8	+7.2	2,223	5	+2.8	+1.1	366	279	212	210
Tobacco and its products	13	−2.6	+1.6	1,027	13	−0.3	8,892	9	+3.8	+0.1	735	88	83	90
South Atlantic	344	−2.8	+2.9	20,179	310	+7.1	147,517	205	+9.6	+0.1	20,389	154	138	157
Automotive supplies	13	+1.4	+9.8	370	13	+9.7	2,980	5	+10.9	+5.2	122	239	229	223
Drugs and sundries (liquor excluded)	24	+1.2	+6.3	1,913	19	+5.4	13,418	16	+5.0	+6.2	2,790	223	216	225
Dry goods	13	−6.5	+23.9	1,434	12	+3.1	8,027	7	+11.3	−6.0	1,292	180	151	230
Electrical goods	53	+10.7	+3.2	3,446	49	+16.7	26,109	50	+22.8	+5.1	3,641	109	98	107
Fresh fruits and vegetables	11	−12.5	−14.8	288	11	+3.4	3,112	5	−2.0	+29.7	48	41	40	27
Groceries and foods, except farm products	92	−12.7	+0.5	4,224	86	+4.7	35,474	41	+4.5	+4.0	3,289	153	127	148
Meats and Meat products	10	+0.3	+1.1	717	10	+3.9	5,252	7	−1.7	−11.1	297	43	43	49
General hardware	26	−4.5	+15.9	1,928	25	+6.2	14,104	16	+7.0	−2.6	3,271	283	253	338
Industrial supplies	14	−5.4	−11.0	524	12	+17.8	3,348	9	+19.8	−0.6	818	205	154	192
Plumbing and heating supplies	18	+26.2	+6.4	1,025	18	+13.4	6,851	15	+21.7	+5.5	825	117	130	121
Paper and its products	10	+2.7	+11.5	503	9	+8.2	3,848	4	−2.4	−10.4	328	137	153	184
East South Central	152	−5.8	+3.8	9,416	144	+5.4	72,776	86	+7.6	+0.4	10,298	166	152	174
Drugs and Sundries (liquor excluded)	12	+4.4	+6.6	1,303	11	+4.8	10,084	9	+4.5	+8.5	2,151	194	196	192
Dry goods	11	−11.8	+16.7	1,074	11	−2.3	6,098	6	+9.9	−6.6	1,377	181	144	223
Electrical goods	12	+6.9	−14.5	605	12	+12.2	5,663	10	+28.9	−4.6	749	128	107	115
Groceries and foods, except farm products	50	−18.1	+1.2	2,314	47	+5.2	19,060	22	+0.3	+4.7	1,779	148	129	146
General hardware	13	+3.1	−0.1	1,694	13	+8.1	13,838	7	+11.3	−1.2	2,266	222	216	224
Industrial supplies	9	−5.7	+3.6	314	9	+23.4	2,671	5	+8.7	+1.4	224	182	173	184
West South Central	262	−11.6	+1.3	18,031	251	+2.5	145,978	194	+5.8	+1.7	168	188	160	189
Automotive supplies	13	+11.4	−0.5	196	8	+9.4	732	11	+7.8	+5.3	456	241	252	230
Drugs and sundries (liquor excluded)	17	−1.1	+6.9	1,917	17	+2.4	15,946	13	+0.2	+3.2	4,203	250	248	259
Electrical goods	35	−3.3	−6.5	1,591	34	+7.8	14,918	28	+33.0	−1.4	1,932	135	97	129
Groceries and foods, except farm products	115	−18.5	+4.6	7,503	113	+0.9	62,312	95	−3.2	+4.5	7,741	141	119	144
Liquor department of other trades	10	−14.7	+15.0	436	10	+12.1	4,255	9	+40.1	−3.3	1,356	315	194	384
General hardware	15	−2.5	+8.4	1,816	14	+1.6	10,806	10	+7.0	−4.6	2,678	255	233	282
Machinery, eqpt. & supplies, except elec.	8	+2.0	−32.0	551	8	+25.1	5,099	5	−0.8	+5.3	1,754	365	367	226
Mountain	132	−5.4	−1.5	8,253	113	+5.2	64,417	99	+3.3	+0.4	10,863	168	154	166
Automotive supplies	20	+6.6	+7.0	486	15	+24.2	2,581	10	−10.1	−9.7	363	149	203	203
Electrical goods	14	+21.7	−4.6	734	12	+24.5	6,431	10	+33.2	+0.2	866	134	125	127
Groceries and foods, except farm products	33	−23.2	−0.6	2,260	33	−3.4	19,678	32	−2.1	+5.9	3,370	174	136	164
General hardware	9	−1.2	+9.0	1,081	7	+8.0	7,249	6	+4.6	−8.1	1,367	218	208	258
Pacific	342	−7.3	−1.2	29,888	312	+7.5	243,431	198	+7.2	−0.5	35,891	181	157	178
Automotive supplies	53	+3.6	+29.3	1,257	48	+15.7	8,607	14	+4.4	0.0	551	261	246	232
Dry goods	15	−6.7	−6.9	1,121	13	+2.4	8,142	7	+13.3	−2.4	1,118	254	231	272
Electrical goods	32	+6.8	−5.0	2,994	30	+21.8	27,604	31	+17.3	−0.6	4,036	143	129	135
Fresh fruits and vegetables	10	−12.1	−13.4	342	9	+3.8	3,176	7	−12.5	−8.7	42	15	15	14
Furniture and house furnishings	13	−10.1	+1.8	1,276	8	−5.7	4,458	7	+1.9	−6.0	1,783	248	217	260
Groceries and foods, except farm products	52	−21.6	−3.5	8,049	48	+0.4	70,990	34	+17.4	0.0	7,228	123	85	117
General hardware	17	+6.7	+2.4	3,730	16	+11.2	29,115	10	+10.5	−1.5	6,737	291	296	305
Industrial supplies	13	+10.2	−15.8	432	13	+17.5	3,935	7	−2.7	+0.7	675	278	303	248
Lumber and building materials	11	+21.3	−11.9	519	11	+12.3	4,118	8	+4.8	+1.3	394	107	121	85
Machinery, eqpt. and supplies, except elec.	11	−4.3	−9.9	201	10	+6.4	1,896	5	+36.4	+6.7	495	563	390	455
Tobacco and its products	15	−7.2	−5.6	1,060	15	+4.0	9,982	4	−0.5	+9.0	219	97	91	86

* These Stock-Sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic divisions, September 1940

Geographic Division Kind of Business	Number of firms reporting	Collection Percentages*: September 1940	Collection Percentages*: September 1939	Collection Percentages*: August 1940	Total Accounts Receivable: Percent change September 1940 vs. September 1939	Total Accounts Receivable: Percent change September 1940 vs. August 1940	Total Accounts Receivable: As of September 1, 1940 (000's)
New England	164	82	82	83	+ 4.0	− 1.5	$15,711
Drugs and sundries (liquor excluded)	7	61	63	62	+10.3	− 1.2	1,276
Electrical goods	31	70	75	76	+16.7	− 0.7	1,913
Groceries and foods, except farm products	22	89	92	89	− 8.1	− 6.1	2,133
Meats and meat products	7	182	174	187	+ 6.1	+ 4.5	1,435
Industrial supplies	17	65	63	70	+20.8	− 2.3	825
Plumbing and heating supplies	8	54	48	52	− 1.1	+ 5.9	360
Tobacco and its products	11	130	139	145	− 4.2	− 2.4	1,102
Middle Atlantic	593	75	77	79	+ 6.8	+ 7.0	60,212
Automotive supplies	26	56	54	55	+11.0	− 4.4	998
Clothing and furnishings, except shoes	21	41	39	38	+ 5.0	+47.7	4,828
Shoes and other footwear	9	33	32	33	− 1.6	+26.5	2,057
Drugs and sundries (liquor excluded)	20	58	61	60	+ 4.7	− 0.1	4,948
Dry goods	41	50	50	49	+ 5.1	+10.4	5,569
Electrical goods	75	74	73	79	+21.3	− 2.5	5,782
Fresh fruits and vegetables	13	174	177	181	+ 6.7	− 2.2	175
Furniture and house furnishings	23	53	54	48	+12.6	+12.1	2,384
Groceries and foods, except farm products	79	95	104	99	− 3.5	0.0	5,170
Meats and meat products	19	168	180	177	+14.2	+10.8	3,183
General hardware	28	45	46	45	+14.2	+ 1.7	3,742
Heavy hardware	12	76	68	74	+ 1.7	+ 3.4	1,837
Industrial supplies	37	74	71	78	+22.6	− 0.4	2,242
Plumbing and heating supplies	45	57	59	59	+20.9	+ 8.0	2,131
Jewelry	10	27	23	25	+12.3	+12.3	577
Lumber and building materials	8	67	66	66	+ 6.5	+ 0.6	1,454
Paper and its products	24	53	51	52	+ 3.9	− 0.5	3,664
Tobacco and its products	35	143	138	154	− 5.8	− 2.1	3,421
East North Central	489	71	76	74	+ 9.3	+ 4.1	50,289
Automotive supplies	46	68	67	72	+ 8.9	+ 6.2	769
Paints and varnishes	13	43	41	42	+ 3.6	− 0.4	689
Clothing and furnishings, except shoes	10	45	44	43	− 5.8	+42.7	505
Drugs and sundries (liquor excluded)	20	81	83	82	+ 1.0	+ 1.4	2,760
Dry goods	6	44	46	47	+ 6.6	+11.8	1,198
Electrical goods	69	65	68	67	+16.4	+ 2.2	7,953
Furniture and house furnishings	7	52	47	47	+10.2	+ 4.1	790
Groceries and foods, except farm products	86	96	108	100	− 1.8	− 0.8	7,838
Meats and meat products	20	171	167	189	− 4.4	+ 6.1	1,649
General Hardware	21	51	54	53	+19.9	+ 3.6	8,933
Industrial supplies	26	77	73	82	+23.5	+19.7	2,438
Plumbing and heating supplies	17	67	59	65	+ 4.6	+ 7.6	1,673
Jewelry	13	21	22	23	+27.9	+12.6	2,357
Lumber and building materials	7	79	73	86	+19.2	+ 9.2	596
Machinery, equipment and supplies, except electrical	10	71	69	70	+20.5	+ 3.9	453
Surgical equipment and supplies	7	56	56	55	+ 7.6	− 0.2	625
Metals	10	79	81	84	+20.8	+ 6.8	1,311
Paper and its products	21	57	57	57	+ 1.7	+ 4.4	2,689
Tobacco and its products	30	117	120	121	+ 2.6	+ 0.3	1,766
West North Central	296	67	72	72	+ 4.6	+13.0	44,294
Automotive supplies	15	59	63	63	+ 9.0	+ 6.0	656
Drugs and sundries (liquor excluded)	16	68	69	70	+ 1.0	+ 5.2	2,705
Dry goods	8	37	38	41	+ 1.3	+29.9	8,318
Electrical goods	40	68	63	73	− 4.1	− 6.6	2,904
Fresh fruits and vegetables	8	157	191	178	+ 0.6	+ 1.8	166
Furniture and house furnishings	10	55	52	56	− 6.2	0.0	2,234
Groceries and foods, except farm products	78	106	136	108	+ 2.5	+ 0.9	5,173
General hardware	10	53	60	56	+21.7	+10.1	3,509
Industrial supplies	12	52	61	56	+17.5	+16.6	753
Plumbing and heating supplies	10	56	59	61	+ 6.3	+ 4.7	890
Paper and its products	9	65	65	69	+ 9.9	+ 6.9	389
Tobacco and its products	7	157	179	153	+19.4	− 6.0	407
South Atlantic	287	62	63	64	+ 9.0	+ 4.7	22,367
Automotive supplies	12	60	64	60	+12.9	+ 6.6	421
Drugs and sundries (liquor excluded)	22	61	69	63	+10.4	+ 5.4	2,427
Dry goods	9	40	38	42	+ 0.1	+22.0	1,703
Electrical goods	58	68	67	69	+19.7	− 2.5	4,871
Fresh fruits and vegetables	10	104	106	114	+10.2	− 8.1	227
Groceries and foods, except farm products	63	93	98	92	+ 1.4	+ 1.7	3,059
Meats and meat products	7	126	124	116	− 3.0	+ 2.7	226
General hardware	26	41	41	40	+ 4.2	+ 5.7	3,628
Industrial supplies	12	62	57	64	+ 9.6	+ 5.2	824
Plumbing and heating supplies	18	57	55	61	+16.7	+ 3.4	1,524
Paper and its products	8	58	57	59	+ 6.4	+ 1.9	548
Tobacco and its products	7	90	92	93	+10.4	0.0	330
East South Central	126	59	60	61	+ 3.0	+ 8.0	11,854
Drugs and sundries (liquor excluded)	10	63	64	66	+ 1.8	+ 6.1	1,621
Dry goods	11	35	37	35	− 1.8	+25.4	1,859
Electrical goods	10	74	72	79	+20.5	− 0.1	905
Groceries and foods, except farm products	37	71	78	73	− 3.3	+ 6.8	2,303
General hardware	11	44	42	44	+ 9.6	+ 2.6	2,410
Industrial supplies	9	72	63	71	+ 3.7	+ 1.0	421
West South Central	225	68	74	73	+ 4.5	+ 8.1	18,811
Automotive supplies	9	56	66	61	+14.5	+ 3.9	134
Drugs and sundries (liquor excluded)	13	69	71	74	− 0.3	+ 9.5	2,163
Electrical goods	34	75	77	81	− 1.0	+ 1.8	1,962
Groceries and foods, except farm products	99	85	99	88	+ 1.8	+ 3.9	5,715
Liquor department of other trades**	7	90	129	87	+56.1	+ 0.5	384
General hardware	14	53	55	53	+ 5.7	+ 9.2	2,123
Industrial supplies	6	80	73	87	+ 9.3	+ 3.9	1,561
Machinery, equipment and supplies, except electrical	7	29	30	32	+17.7	+21.0	1,424
Mountain	112	74	77	78	+ 4.2	+ 0.9	3,550
Automotive supplies	11	57	57	61	+ 8.9	+ 8.5	293
Electrical goods	13	68	72	70	+17.6	− 5.6	1,031
Groceries and foods, except farm products	30	90	105	96	− 3.0	− 4.5	1,817
General hardware	7	45	43	48	+ 8.4	+ 4.8	1,316
Pacific	286	70	75	71	+ 8.7	+ 1.3	34,720
Automotive supplies	32	67	68	65	+ 6.1	− 0.7	575
Dry goods	12	59	55	57	− 6.9	+11.8	1,589
Electrical goods	29	70	70	72	+22.3	− 3.9	3,697
Furniture and house furnishings	13	49	48	48	− 0.9	+ 1.3	2,351
Groceries and foods, except farm products	44	99	113	99	+ 3.6	− 1.5	7,070
Meats and meat products	9	158	183	165	+ 6.0	+ 2.6	476
Wines and liquors	7	69	89	74	+26.9	− 6.6	1,368
General hardware	16	57	55	56	+ 8.5	+ 3.3	6,035
Industrial supplies	13	61	58	58	+15.0	+ 9.7	812
Plumbing and heating supplies	11	75	71	79	+33.1	+ 0.2	1,077
Lumber and building materials	11	67	77	75	+24.3	+ 4.7	797
Machinery, equipment and supplies, except electrical	8	45	42	47	+ 3.8	− 2.8	274
Tobacco and its products	12	96	104	97	+ 4.8	− 2.7	961

*Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms. **Chiefly of the wholesale drug trade

STATES COMPRISING DIVISIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.)